Public Utilities

FORTNIGHTLY

Volume XLI No. 9 April 22, 1948

BUSINESS ADMINISTRATION

THE INCREASING IMPORTANCE OF UTILITY INVESTOR RELATIONS
By Tom P. Walker

« »

The Fair Employment Practices Scheme
By Donald R. Richberg

« »

Beethoven Gets a Public Relations Job
By James H. Collins

« »

Metropolitan Area Regulation for Border-line Cities
By Arnold Haines

PUBLIC UTILITIES REPORTS, INC., PUBLISHERS

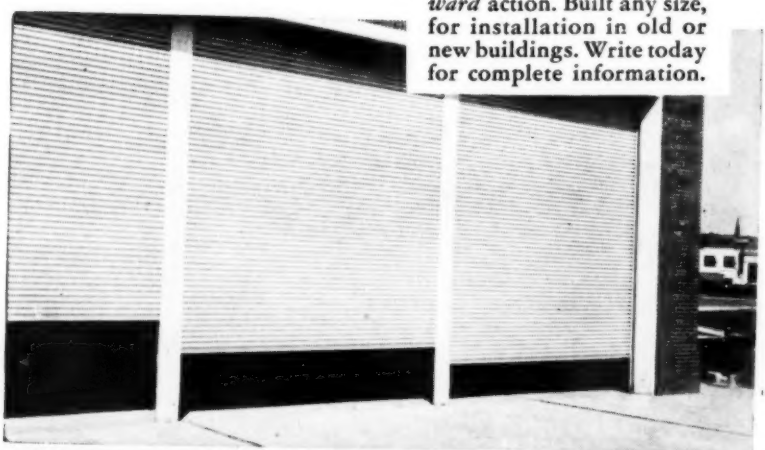
Better CONTROL of Door Costs



Quick, easy, push-button control featured by Kinnear Motor Operated Rolling Doors gives you a tighter grip on *all* door costs. It helps cut heating and air-conditioning costs through prompt, rapid closing of doors. It saves time and steps (you can have any needed number of additional controls at remote points). It avoids traffic bottlenecks at doorways. And along with these operating advantages, you get the extra durability, protection and space-saving efficiency of these rugged, all-steel doors with their

MOTOR OPERATED with KINNEAR STEEL ROLLING DOORS

world-famous *coiling upward* action. Built any size, for installation in old or new buildings. Write today for complete information.



KINNEAR ROLLING DOORS

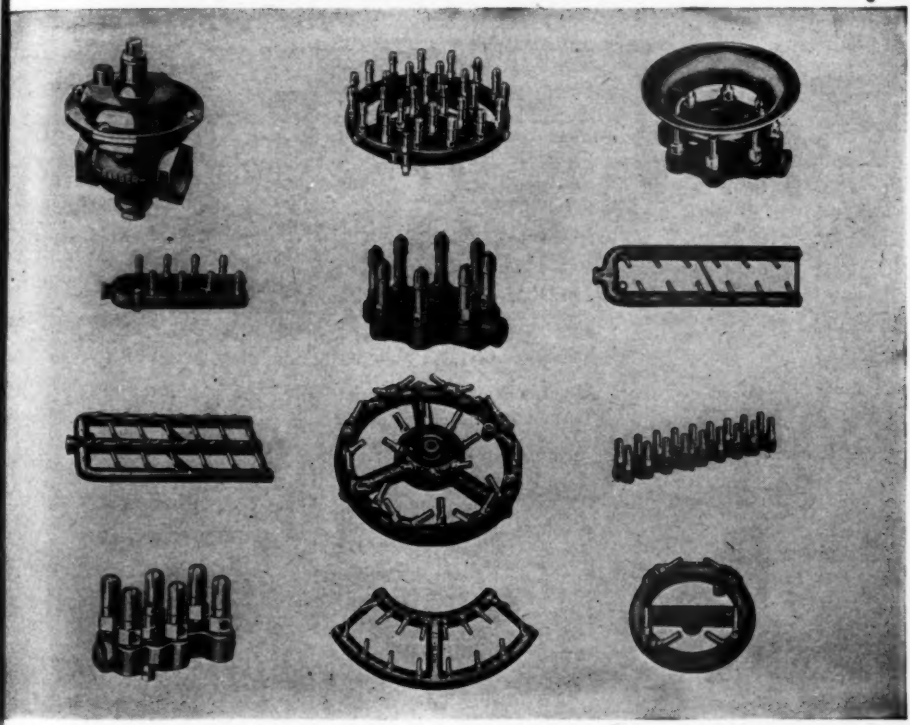
THE KINNEAR Mfg. Co.

FACTORIES:
2060-80 Fields Ave. Columbus 16, Ohio
1742 Yosemite Ave.,
San Francisco 24, Calif.

Offices and Agents in Principal Cities

This page is reserved under the **MSA PLAN** *(Manufacturers Service Agreement)*

QUALITY BURNERS



We can design and make any kind of burner you need for any gas appliance. Call on us.

Send for new Catalog on Appliance and Conversion Burners, and Pressure Regulators.

THE BARBER GAS BURNER CO., 3704 Superior Avenue, Cleveland 14, Ohio

BARBER BURNERS

This page is reserved under the MSA PLAN (Manufacturers Service Agreement)

Executive Editor • HENRY C. SPURR
Editor • ELLSWORTH NICHOLS
Managing Editor • FRANCIS X. WELCH
Associate Editors • NEIL H. DUFFY
DONALD E. ROBINSON
RALPH S. CHILD
FRANKLIN J. TOBEY, JR.
Financial Editor • OWEN ELY
Assistant Editor • M. C. MCCARTHY

Public Utilities FORTNIGHTLY

VOLUME XLI APRIL 22, 1948 NUMBER

ARTICLES

The Increasing Importance of Utility Investor Relations *Tom P. Walker* 531
The Fair Employment Practices Scheme *Donald R. Richberg* 540
Beethoven Gets a Public Relations Job ....*James H. Collins* 545
Metropolitan Area Regulation for Borderline Cities ....*Arnold Haines* 552

FEATURE SECTIONS

Washington and the Utilities 558
Exchange Calls and Gossip 562
Financial News and Comment ....*Owen Ely* 565
What Others Think 573
The March of Events 579
Progress of Regulation 587
Public Utilities Reports (*Selected Preprints of Cases*) 594

• Pages with the Editors .... 6 • Remarkable Remarks 12
• Utilities Almanack .....529 • Frontispiece 530
• Industrial Progress ..... 21 • Index to Advertisers 36

PUBLIC UTILITIES REPORTS, INC., PUBLISHERS
Publication Office .....CANDLER BLDG., BALTIMORE 2, MD.
Executive, Editorial and Advertising Offices ..MUNSEY BLDG., WASHINGTON 4, D. C.

Entered as second-class matter April 29, 1915, under the Act of March 3, 1879, at the Post Office at Baltimore, Md., Dec. 31, 1936. Copyrighted, 1948, by Public Utilities Reports, Inc. Printed in U. S. A.

Address all communications concerning the FORTNIGHTLY *to the publishers at Munsey Building, Washington 4, D. C.*

PUBLIC UTILITIES FORTNIGHTLY . . stands for Federal and state regulation of both privately owned and operated utilities and publicly owned and operated utilities, on a fair and nondiscriminatory basis; for nondiscriminatory administration of laws; for equitable and nondiscriminatory taxation; and, in general—for the perpetuation of the free enterprise system. It is an open forum for the free expression of opinion concerning public utility regulation and allied topics. It is supported by subscription and advertising revenue; it is not the mouthpiece of any group or faction; it is not under the editorial supervision of, nor does it bear the endorsement of, any organization or association. The editors do not assume responsibility for the opinions expressed by its contributors.

$1.00 a Copy
26 Issues a Year
Annual Subscription Price $15.00

NORWALK Products are Stocked at 12 Factory Branches

- San Francisco
- Los Angeles
- Minneapolis
- Chicago
- Detroit
- Cleveland



- Pittsburgh
- Washington
- Philadelphia
- New York
- Albany
- Boston

Service Shops in Other Cities ★ Factory at South Norwalk

WHEN you need some quality control equipment in a hurry, call on your nearest Norwalk Valve branch. There's a good chance that what you want is in stock. These convenient stocks of Norwalk products at 12 branches keep your installation crews working without interruption.

Quality, workmanship and sound engineering are other good reasons why Norwalk leads in gas control equipment. You'll find qualified gas men at all 12 branches.

If your problem has to do with the proper control and regulation of gas, let Norwalk give you the benefit of its years of service to the Gas industry. We've been at it since 1878.

NORWALK VALVE COMPANY

South Norwalk, Conn.

SOLE MANUFACTURERS

NORWALK

VALVES • REGULATORS • GOVERNORS
GAUGES • N-50 INSPIRATOR

CONNELLY

GOVERNORS • VALVES • REGULATORS
GAUGES • MERCURY LOADERS

This page is reserved under the **MSA PLAN** *(Manufacturers Service Agreement)*

Pages with the Editors

THE day when the average businessman was fairly independent of his fellowman (except of course for the necessary number of business customers) is fast becoming a dim memory of American history. The average businessman today figuratively works in the center of a band of professional aides who are neither his customers nor his employees.

STILL figuratively speaking, he must hold his lawyer by one hand and a certified public accountant by the other. The nature of his business will determine how often he needs the engineer, the architect, the public relations expert, the tax consultant, and the other increasing corps of specialists who minister to modern business society. Over and above that, of course, he and the members of his family are supposed to see the dentist twice a year and the doctor perhaps oftener and—if his conscience dictates—attend the church of his choice every Sunday or oftener.

BUT there is one form of professional contact which is becoming increasingly important to the public utility business; that is the banker. The old idea of staying away from a banker, except in cases of dire necessity, is fading. Fortunately the modern banker has made the transition easy. He is no longer the cold, gimlet-eyed curmudgeon portrayed in sentimental novels of yesteryear—the grasping mortgage holder whose very look would curdle the milk of human kindness.

THE typical banker of today is a wide-awake, well-informed, public-spirited executive who realizes that the making of loans and other financial arrangements to support legitimate industrial needs is a public trust and a vital service which is the foundation of our successful American enterprise system. He knows the intimate connection between making proper loans and community growth which will support his banking institution and its services in the future. But he cannot humanly gauge the scope and purpose of public utility company financial requirements unless he has the opportunity to meet and talk freely and frequently with its responsible officials.



Chase-Statler Photo

TOM P. WALKER

THE importance to public utility officials of making closer contacts with their bankers is stressed in the opening article in this issue by TOM P. WALKER, vice president of the Irving Trust Company of New York. WALKER's own background in the utility industry hardly needs introduction to most readers of this publication. Born in New York in 1891, WALKER started in the utility business as a meter reader for the Haverhill (Massachusetts) Gas Light Company in 1910. He rose to the post of general superintendent and manager by 1922 — interrupted by a tour of duty as an officer with the AEF from 1917 to 1919, during which he was decorated with the Croix de Guerre and Order of the Silver Star.

IN 1922 WALKER became manager of

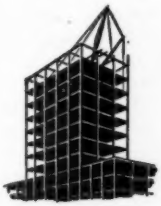
AN ARCHITECT GOT A MONEY-MAN TO ADMIT,

"I never thought of floors in relation to earning power"



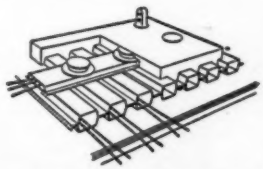
"Floors are such a small fraction of total cost, one tends to forget that floor space is actually what a building is for. You say a steel Q-Floor costs less than the carpet to cover it? Yet it provides electrical availability over the entire exposed area of the floor. And the steel construction, being dry, reduces building time 20 to 30%. These are factors any investor can easily translate into terms of money saved. They mean more revenue over the years and earlier revenue right from the start. Let's look at the details—"

HERE'S WHAT THE ARCHITECT SHOWED



Why Q-Floor reduces building time 20 to 30%.

Q-Floor is steel subfloor, delivered precut. Two men can lay 32 sq. ft. in 30 seconds. Construction is dry, incombustible. The Q-Floor is immediately used as platform by other trades. No delay for wet materials. No forms, no falsework, or fire hazard. Even when steel is slow in delivery, steel is still faster. You must allow time for demolition and excavation. By that time, the steel is ready. Steel construction gives a faster completion date. Completion time, not starting time, determines how soon your investment pays off.



Why Q-Floor keeps a building modern.

The steel cells of Q-Floor are crossed over by headers for carrying the wires of every electrical service, regardless of how many new business machines may be invented. An electrical outlet can be established on every six-inch area. It requires but a small hole, takes literally only a few minutes. No muss with trenches. Tenants can have as many outlets, changed as often and located exactly, as they please. Such permanently flexible floor plans keep a building permanently modern. The exterior may grow old-fashioned, but with live arteries of power in the floors, the building itself will never be electrically outmoded.

Write for the simple facts—

H. H. ROBERTSON COMPANY

2424 Farmers Bank Building, Pittsburgh 22, Pennsylvania

Factories in Ambridge, Pa., Hamilton, Ont., Ellesmereport, England

Offices in 50 Principal Cities **World-Wide Building Service**

This page is reserved under the* MSA PLAN *(Manufacturers Service Agreement)

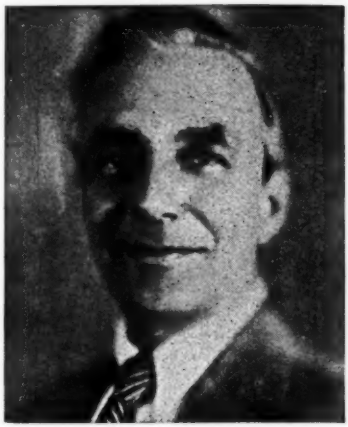
the Baton Rouge (Louisiana) Electric Company and in 1927 he became vice president of Virginia Electric & Power Company. And, in 1930, president of the Gulf States Utilities Company at Beaumont, Texas. Most electric utility readers will recall WALKER more readily as the head of the Council of Electric Operating Companies, with headquarters in Washington, until 1945, when he took his present position in New York city.

* * * *

ANOTHER contributor to this issue, whose name will be readily familiar to most of our readers, is DONALD R. RICHBERG, now a practicing attorney in Washington, D. C., whose article entitled "The Fair Employment Practices Scheme" begins on page 540. In his public service as general counsel and later chairman of the National Recovery Act during the first days of the New Deal, RICHBERG demonstrated a zeal for individual liberty which has made him a tireless sentinel, guarding us against loose thinking in the realm of social reform. A recent report to the Senate Committee on Labor and Public Welfare said of RICHBERG: "Although a Protestant by ancestry and individual faith, he has, throughout his life, lived and worked as indiscriminately with Catholics, Jews, and free-thinkers as with Protestants." His father was a Lutheran, born in Germany, and his mother was a Vermonter of English ancestry. RICHBERG was born in Knoxville in 1881 and educated at the University



DONALD R. RICHBERG



JAMES H. COLLINS

of Chicago (AB, '01) and the Harvard Law School (LLB, '04). In a widely varied practice of the law he represented for many years all the railway labor organizations, was author of the Railway Labor Act, coauthor of the Norris-LaGuardia Act and the National Industrial Recovery Act.

* * * *

JAMES H. COLLINS, whose article, entitled "Beethoven Gets a Public Relations Job," begins on page 545, is a former magazine editor and a well-known author of business articles now residing in Hollywood, California.

* * * *

AMONG the important decisions preprinted from *Public Utilities Reports* in the back of this number, may be found the following:

THE North Carolina commission, in approving a gas rate increase to a government housing project, said that its power to change a contract rate when it appears unjust is not limited by the fact that the customer happens to be the United States government. (See page 113.)

THE next number of this magazine will be out May 6th.

The Editors





. . . and that's why you find Remington Rand's Printing Calculator producing the figure facts in so many efficiently-run offices.

Only the Printing Calculator does *all* your figure work with printed proof of accuracy. It multiplies and divides automatically, adds and subtracts—*and* simultaneously prints the factors and answer of each calculation.

For more information, write to Adding-Bookkeeping-Calculating Machines Division, Dept. PU-4, 315 Fourth Ave., New York 10.

Remington Rand

MACHINES FOR MANAGEMENT

PRINTED PROOF ON TAPE • ONE-HAND CONTROL • TWO MACHINES IN ONE • AUTOMATIC DIVISION • ELECTRIFIED MULTIPLICATION • DECIMALS PRINTED • THE ONLY ALL-PURPOSE CALCULATOR PROVIDING A PRINTED RECORD

This page is reserved under the **MSA PLAN** *(Manufacturers Service Agreement)*



DECENTRALIZATION—A DEFENSE AGAINST "ATOMIZATION"?

Do we have to take our whole national economic machine apart and hide the pieces in the grass as the only possible defense against atomic warfare? Is such a course practical or even feasible? Would not the disadvantages outweigh the possible gains? Would not public utility industries suffer special burdens of dislocation from such indiscriminate dispersal of our cities and populations. Chester I. Barnard, Bell system executive and State Department adviser on atomic warfare control matters, writes a thoughtful examination of this most serious problem facing the nation and the world today.

UTILITY COÖPERATION WITH THE CO-OPS

Here is a description of how a group of Iowa rural electric coöperatives decided to coöperate with a power company at the "grass roots" level. Sutherland Dows, president of Iowa Electric Light & Power Company, gives us an account of the amiable arrangements whereby the power company will operate a steam-generating plant to be built by the co-ops.

THE COLORADO WATER SUPPLY PROBLEM

The controversy between California and Arizona over the distribution of water from the Colorado river involves not only the ancient utility problem of water supply but the more modern and equally pressing problem of hydroelectric power supply. Milton G. Sanders, vice president of Central Arizona Light & Power Company, and Ben Avery, Phoenix, Arizona, newspaperman, have teamed up to give us this analysis of Arizona's side of the debate.

PUBLIC CORPORATIONS IN BRITAIN

The mechanics of the British Labor government program of nationalization rest heavily on the use of the so-called public corporation—a device which is supposed to combine the best features of social reform and businesslike management. Lord Knollys, until recently chairman of the British Overseas Airways Corporation, has written for us an analysis of the way the British public corporation functions.

Also . . . ***Special financial news, digests, and interpretations of court and commission decisions, general news happenings, review, Washington gossip, and other features of interest to public utility regulators, companies, executives, employees, investors, and others.***

the luxurious new

Presteline Custom 8



Presto Deepwell-Pressure Cooker. Automatic Deepwell • Wel-Com-Up fourth surface cooking unit fully automatic. Two big ovens—one super-sized, one auxiliary, both automatic • Two appliance outlets—one automatic • Warmer drawer that maintains 130-degree heat. Spacious storage drawer • Choice of four different top arrangements—Safety-Top, Cluster Top, Divided Top, 4-Unit Top.



America's FINEST Automatic Electric Range . . .

Presteline

ELECTRIC RANGES

Product of PRESSED STEEL CAR COMPANY, INC.

Since 1898 Makers of Fine Steel Products

PRESSED STEEL CAR COMPANY, INC.

Domestic Appliance Division

666 Lake Shore Drive, Chicago 11, Illinois

Complete Line includes:

CUSTOM 8
DE LUXE 6
DE LUXE 4
BUDGET

This page is reserved under the MSA PLAN *(Manufacturers Service Agreement)*

Remarkable Remarks

"There never was in the world two opinions alike."
—MONTAIGNE

A. F. WHITNEY
President, Brotherhood of Railroad Trainmen.

"From where I sit, the Democrats have the election sewed up."

FRANK MCLAUGHLIN
President, Puget Sound Power & Light Company.

"Public apathy was responsible for the trend toward nationalization in this country."

JAMES D. MOONEY
President, Willys-Overland Motors.

"At present it costs you $6 just to drive into a repair shop. Those boys have a cover charge."

GEORGE F. ASHBY
President, Union Pacific Railroad.

"If a form of transportation is justified as a part of the transportation system, it should survive and thrive on its own."

HINES W. BAKER
Executive vice president, Humble Oil & Refining Company.

"Employee relations are the responsibility of management. Management cannot side-step this responsibility; it cannot delegate it."

JOSEPH H. BALL
U. S. Senator from Minnesota.

"I'm convinced that the use of coercive powers to tell an employer he has to hire or promote someone he doesn't want is going too far."

Excerpts from instructions on radio programs given by Wallace-for-President organizers.

"A good trick is to offer four persons to debate the third party issue or other issues. You don't bother to explain that all four are pro-Wallace."

RICHARD WAGNER
President, Chicago Corporation.

"Labor should recognize that capital formation permits the creation of new jobs without which we would soon have large unemployment as population increases."

EDITORIAL STATEMENT
The Wall Street Journal.

"One of the reasons that American foreign policy has been in a mess is because it has been too often supported by epithets and propaganda slogans rather than explanation."

CHARLES E. WILSON
President, General Motors Corporation.

"Our Americanism is still the new, revolutionary, liberal philosophy in the world. Those who advocate Communism, Socialism, or any form of statism, while flying the flag of liberalism, are, in fact, advocating a system of society, which, when put into effect, enslaves a people."

ONLY DODGE gives so much

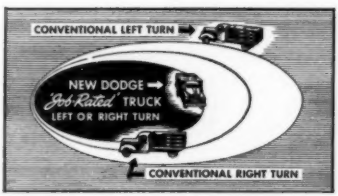


VISION . . . COMFORT

New Dodge "Pilot-House" cabs give you nearly 200 square inches more windshield glass area than other standard truck cabs! Windshields and windows are higher and wider. Available are new rear quarter windows that add still more to vision, and to safety . . . and vent wings on the door windows for controlled ventilation. And comfort? Well . . . *new* and *better* weight distribution, wider tread axles, longer springs and "Air-O-Ride" seats give a marvelous new "cushioned ride." So, take a ride in these new trucks—soon—for *riding is believing!*

EASE OF HANDLING

You can turn these new "*Job-Rated*" trucks in much smaller circles. You can park or back up to loading docks with greater ease. This is due to a new type of steering design, with shorter wheelbases that accommodate full-size bodies. You get much better weight distribution, too. Front axles have been moved back and engines forward, placing more of the engine, cab, body and load weight on the front axle.



IN ALL . . . 248 DIFFERENT "Job-Rated" MODELS

Every unit of every one of the 248 models—from engine to rear axle—is "*Job-Rated*" for economy, dependability, performance and long life. And remember . . .

Only Dodge builds "Job-Rated" trucks!

NEW DODGE "Job-Rated" TRUCKS

FIT THE JOB...LAST LONGER

This page is reserved under the **MSA PLAN** *(Manufacturers Service Agreement)*

E. G. Bailey
Vice president, Babcock & Wilcox Company.

"World recovery and progress depend basically on power—the power, equipment, and know-how for production—and these require the engineer's methods of individual and coöperative effort."

Emil Schram
President, New York Stock Exchange.

"In the midst of a nation-wide business surge—in building, in steel, in automobiles, or petroleum production, or farming—our capital markets stand alone as the one 'depressed area' in our national economy."

Wade H. Hayes
Managing director, Edmundsons' Electricity Corporation, Ltd.

"Their [British Labor party Socialists] design is not to put the electricity industry under the control of a democratically elected Parliament. It is to become a permanent asset in Socialist power politics."

Editorial Statement
Chicago Journal of Commerce.

"If the government can stretch a modest income into a good income by 'social' legislation, then the incentive to earn a good income disappears. Initiative gasps and breathes its last. Ambition decays. A continued policy of 'something for nothing' will mean 'nothing for anybody.'"

Ernest E. Norris
President, Southern Railway Company.

"The company spent the year 1947 like everyone else in the country whose rate of income was fixed and whose basis of expense was constantly increasing. To stay afloat in a rising flood of inflation requires, for an organization as well as an individual, steadfastness, hard work, and ingenuity."

Ralph Hendershot
Financial editor, New York World-Telegram.

"Our banks have plenty of money to lend, and business needs the money. Why then should the government interfere? Overextension of credit is a bad thing, to be sure, but we are not in any danger of that. In fact, our business organizations have paid off billions of dollars in debt over the last few years."

Charles Seymour
President, Yale University.

"Whatever the sincerity of this nation or that, a great deal more than simple trust is necessary to the wise conduct of international affairs. This doctrine of simple trust proves a wealth of ignorance relating to the history of Russia herself, where since the time of Ivan the Terrible and Peter the Great mistrust has characterized the course of politics, whether domestic or foreign."

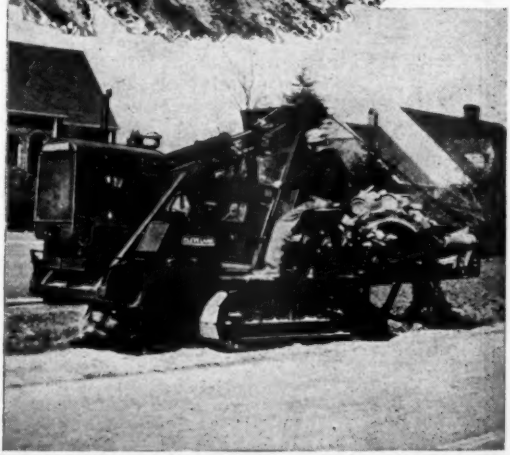
David Sarnoff
President, Radio Corporation of America.

"Inescapably, the future of the world and of civilization is linked with atomic energy. When science releases that power, and society learns how to control it properly, it will start a universal chain reaction that is bound to affect significantly the political, social, and economic life of people everywhere. Science is at a new crossroads. We, the people, stand there, too. Humanity and destiny of future generations depend on the turn we take."

CLEVELAND TRENCHERS

Versatile
Mobile
Maneuverable





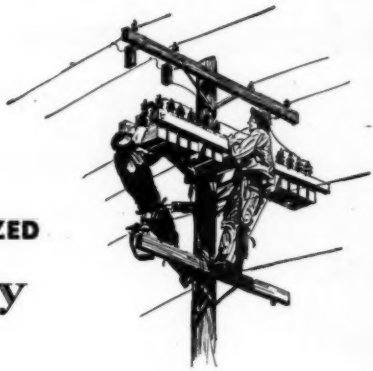
ASSURE MAXIMUM USABILITY AND ECONOMY

Built into every CLEVELAND are those characteristics that assure speed, strength, versatility, mobility, power and maneuverability. This means that you can depend upon them absolutely to deliver maximum trench footage in all types of soil and terrain—whether the job is for gas, gasoline, oil, water, sewer, conduit, drainage or irrigation.

TRADE MARK

THE CLEVELAND TRENCHER CO.
20100 ST. CLAIR AVENUE • CLEVELAND 17, OHIO

This page is reserved under the **MSA PLAN** *(Manufacturers Service Agreement)*



CAN YOU BENEFIT FROM THESE SPECIALIZED

Public Utility

BANKING SERVICES?

BY "SPECIALIZED" banking services we mean simply this. Irving Trust has a separate Public Utilities Department. It is staffed with men whose practical experience qualifies them for service to the utility industry.

The sole function of this department is to help utilities with their particular financial problems and assist them in formulating their programs.

Through this Department, of course, you have the benefit of the advice and counsel of the bank's experienced officers—and, needless to say, access to all the deposit, loan and corporate agency facilities of a large commercial bank.

MR. TOM P. WALKER

is our Vice President in charge of this Department. Prominent in the top management of utility companies for over thirty years, he is thoroughly familiar with all phases of the industry.

IRVING TRUST Company

NEW YORK

Capital Funds over $114,000,000
Total Resources over $1,100,000,000

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



INTERNATIONAL Crawler Speeds Pole Frame Assembly







TD-9 reduces labor requirements for field job

Erection of high voltage power lines near Shelbyville, Illinois, is accomplished with International TD-9 Diesel Crawlers and 10-man crews. Previously this work required 120 men. Now three tractors and 30 men do the job speedily and at lowered cost.

Two crews assemble pole frames along the power line route. A third crew digs the post holes and erects the assembled frames. Through the use of International TD-9's the work is eased to the point where no man in any crew has to lift more than 50 pounds. The tractor with its home made "A" frame hoist does all the heavy work.

There are many such applications in which International Diesel Crawlers, Wheel Tractors and Power Units save time, trouble and money. Consult the International Industrial Power Distributor near you for aid in selecting the power and equipment that will improve the efficiency of your construction and maintenance crews.

Industrial Power Division

INTERNATIONAL HARVESTER COMPANY

180 North Michigan Avenue • Chicago 1, Illinois

INTERNATIONAL Industrial Power

This page is reserved under the MSA PLAN *(Manufacturers Service Agreement)*

DON'T MISS THIS "HIT" SHOW!

"Pittsburgh's" Store Modernization Caravan

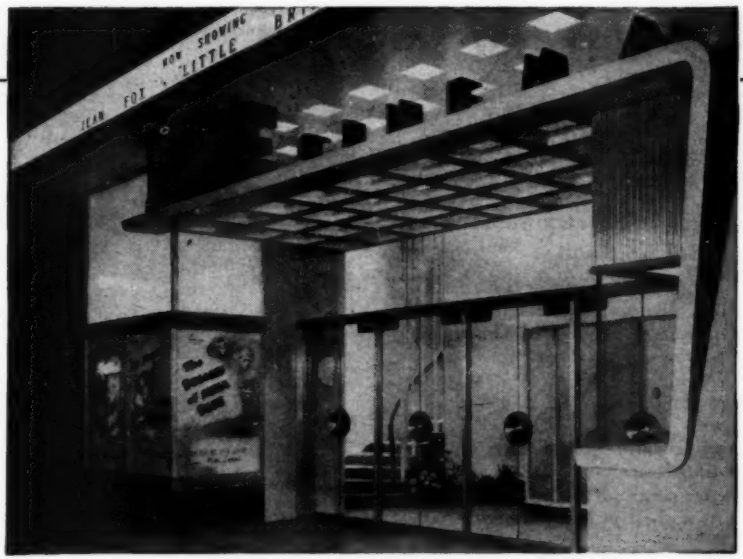


WHEN the Pittsburgh Caravan reaches your locality, make sure that you attend one of its "performances."

Here's a unique store modernization and store-lighting show. Two truck-driven 26-foot trailers are utilized in the caravan—each trailer containing six faithfully reproduced scale-models, like the one below, showing the latest trends in store front and interior designs and in modern lighting techniques.

Each of the twelve miniature models is life-like in every detail. A wide variety of businesses are covered, with their individual problems ingeniously resolved.

If you are interested in new and more effective ways of building and lighting retail stores, you'll find the Pittsburgh Caravan well worth seeing. Since the tour will last many months, advance publicity will inform you when it will reach your vicinity. Watch for it.

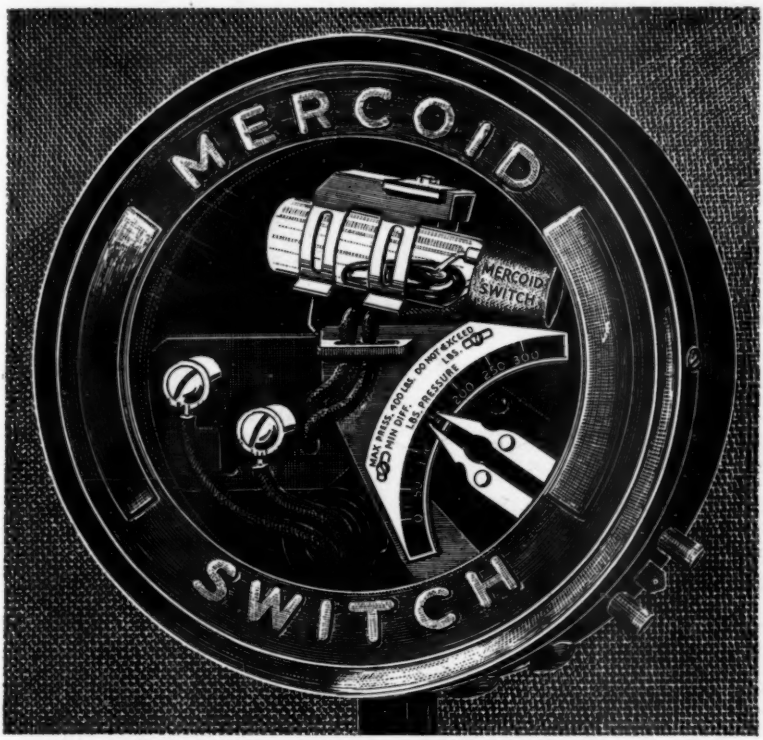


"PITTSBURGH"
STORE FRONTS AND INTERIORS

PAINTS • GLASS • CHEMICALS • BRUSHES • PLASTICS

PITTSBURGH PLATE GLASS COMPANY

This page is reserved under the **MSA PLAN** *(Manufacturers Service Agreement)*



MERCOID AUTOMATIC CONTROLS HAVE WHAT EXPERIENCED ENGINEERS WANT

1. **ASSURE POSITIVE SAFETY**—*the prime purpose of a control.*
2. **BUILT FOR YEARS OF DEPENDABLE PERFORMANCE**—*an economical feature.*
3. **SIMPLIFIED FOR EASE OF INSTALLATION**—*appreciated by the trade.*
4. **CONVENIENT FACILITIES FOR MAKING UNDERSTANDABLE ADJUSTMENTS**- *no time lost in calculating or guesswork.*
5. **THE ONLY 100% MERCURY SWITCH EQUIPPED CONTROL LINE**—*all "makes" and "breaks" in the electrical circuit are hermetically sealed, therefore immune to dust, dirt corrosion, open arcing, pitting, or sticking of contacts—common causes of contact trouble. Mercoid switches provide an electrical contact that will give millions of perfect operations over a long period of time.*

If you have a control problem involving the automatic control of pressure, temperature, liquid level, mechanical operations, etc., it will pay you to consult Mercoid's engineering staff—always at your service.

Catalog sent upon request

THE MERCOID CORPORATION, 4201 BELMONT AVENUE, CHICAGO 41, ILLINOIS

This page is reserved under the **MSA PLAN** *(Manufacturers Service Agreement)*

They topped the bill with a FLOP!

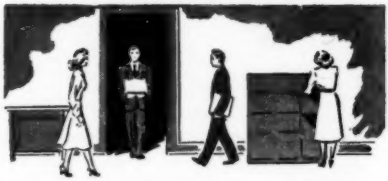


(Case History #117)

EVERY WEEK, four or five employees staged a flopping act on this company's slippery waxed floors . . . and sent accident costs to the top of the overhead bill. Yet management couldn't stop the show, despite try-outs of every known floor wax.



"Must the show go on?" It looked that way . . . until they learned otherwise from the informative Legge booklet: How floors can be both polished *and safe*—and how to write "finis" to accidents.



Happy ending. Legge floor technicians developed a program that gave polished, Non-Slip floors. Only three employees have slipped in five years since. And it was "curtains" for accident costs!

FREE! THIS BOOK TELLS HOW TO KEEP FALLS OFF *YOUR* PROGRAM

Polished floors don't *have* to be slippery. Yet years . . . and many accidents . . . often go by while maintenance staffs try one wax after another.

How the Legge System ends this hunt is told in "Mr. Higby Learned About Floor Safety the Hard Way." It shows how Legge answers floor problems with a program *engineered to your needs;* how this service slashes accidents up to 95% for leading users; how you get *safe* polished floors, yet cut costs up to 82%.



A 10-minute reading of this book may show you how to save much. So send for it, without obligation. Clip the coupon to your letterhead and mail.

LEGGE SYSTEM OF *NON-SLIP* FLOOR MAINTENANCE

WALTER G. LEGGE COMPANY, INC.

New York • Boston • St. Louis • Chicago • Houston • Seattle • Cleveland
Los Angeles • Washington, D. C. • Denver • Rochester • Pittsburgh • Detroit

WALTER G. LEGGE CO., INC
11 West 42nd St., New York 18, N. Y.
360 N. Michigan Ave., Chicago 1, Ill.
Gentlemen:
Please send me your free book, "Mr. Higby Learned About Floor Safety the Hard Way."

Signed _____
Title _____
Type of Floor _____
Area _____ sq. ft. PU

This page is reserved under the **MSA PLAN** *(Manufacturers Service Agreement)*

Utilities Almanack

April

22	Th	¶ *American Water Works Association, Nebraska Section, begins meeting, Lincoln, Neb., 1948.*
23	F	¶ *Radio Conference begins, St. Charles, Mo., 1948.* ¶ *Indiana Gas Association ends convention, French Lick, Ind., 1948.*
24	Sa	¶ *Southeastern Electric Exchange, Engineering and Operating Section, will hold spring conference, Tampa, Fla., May 6, 7, 1948.*
25	S	¶ *Northwest Electric Light and Power Association, Business Development Section, will hold meeting, Victoria, B. C., May 10–12, 1948.*
26	M	¶ *Electrical Manufacturer's Representatives Association of Michigan will hold industrial electrical exhibit, Detroit, Mich., May 12–14, 1948.*
27	Tu	¶ *American Water Works Association, Pacific Northwest Section, will hold meeting, Boise, Idaho, May 12–15, 1948.*
28	W	¶ *Illinois Telephone Association begins convention, Peoria, Ill., 1948.* ¶ *Missouri Association of Public Utilities begins convention, St. Louis, Mo., 1948.*
29	Th	¶ *New Jersey Utilities Association will hold spring meeting, Seaview, N. J., May 14, 1948.*
30	F	¶ *American Institute of Electrical Engineers ends North Eastern District meeting, New Haven, Conn., 1948.*

May

1	Sa	¶ *American Public Power Association will hold annual convention, Colorado Springs, Colo., May 17–19, 1948.*
2	S	¶ *Pennsylvania Gas Association will hold annual meeting, Wernersville, Pa., May 18–20, 1948.*
3	M	¶ *American Water Works Association begins annual conference, Atlantic City, N. J., 1948.* ¶ *Edison Electric Institute begins Engineering Committee meeting, Chicago, Ill., 1948.*
4	Tu	¶ *American Gas Association, Natural Gas Department, begins spring meeting, Houston, Tex., 1948.*
5	W	¶ *Interstate Oil Compact Commission begins spring meeting, Chicago, Ill., 1948.* ¶ *Indiana Telephone Association begins convention, Indianapolis, Ind., 1948.*



Small-time Cable Car Operation

Vol.

T

N

ing C
withe
of ele
and i
neers
be lal
been
flowi

*Fo
with t

Public Utilities
FORTNIGHTLY

VOL. XLI, No. 9 APRIL 22, 1948

The Increasing Importance of Utility Investor Relations

A practical, down-to-earth program for utility company executives or top financial men to follow in cultivating the attention and good will of the investor in the important months ahead.

BY TOM P. WALKER*
VICE PRESIDENT, IRVING TRUST COMPANY

No such drastic realignment of a major industry as was required under the Public Utility Holding Company Act can be accomplished without some dislocations. The magic of electricity blossomed from the skills and imagination of inventors and engineers. But all their gadgets would still be laboratory instruments if it had not been for the large amounts of capital flowing freely and eagerly to the new wonder industry. It is in this most important field of finance that the greatest dislocation has resulted from the Holding Company Act. The holding companies saw to it that their operating companies were well manned with competent staffs who knew the operating and sales needs of their territories; but financing was the job of the holding company, leaving local officials free to concentrate on the immediate needs of customers.

Now as divestments progress, these

*For additional personal note, see "Pages with the Editors."

local officers face new responsibility. Their single understanding stockholder has become a list of names, many of which represent hardheaded, discriminating investors. The wherewithal for the construction budget now must come from a widespread public. And, what may be more important for the management, this new nebulous owner will decide who will manage the property. Here then is a relations job, a new group to be cultivated. One may think of it in terms of stockholder relations, but actually it is broader than that. Included are stockholders, to be sure, but in addition there are the holders of other securities a company issues and quite a community of specialists who serve the investor. To be all inclusive, our new technique might better be called Investor Relations.

In some respects this shift in responsibility is coming at a favorable time. The electric light and power industry has made an outstanding record. No industry surpassed and few equaled its performance during the war. Since the shooting stopped, it has continued to meet mounting demands with no more than an occasional creak in the powerful machine. Rates have continued to decline counter to the upward course of nearly every other commodity and service. Few other businesses promise greater growth in the future. Witness the almost fantastic estimates for expansion during the next five years. To meet this situation, corporate structures are more sound than they have ever been. So far, increasing wage and fuel costs have been absorbed without too severe inroads on net income. Costs rise faster than rates, but, before serious damage is done, a public schooled to higher prices and regulatory commissions responsible for the company's orderly progress cannot deny for long reasonable rate increases if such relief is required. Such strength and stability tend to attract the discriminating investor.

So, in many directions, the task of making friends and influencing people in the investor group should start off with every promise of success. But, in some other important respects, the promise is not too bright.

The industry did not need to call on public financing in any great magnitude during the depression and war years. Now the amounts which will have to come from new security issues is material. Some estimates place it as high as $800,000,000 per year for the next five years. If the utilities were the only bidders for the investor's dollar, the problem would be simpler, but all industry faces large capital requirements.

Those whose job it is to finance enterprises are disturbed over a growing shortage of risk capital. The lifeblood of a capitalistic society is capital. Many contend that Federal tax policies have practically dried up the sources of the venture money which through the years has built our economy.

This is a serious situation for an industry which must prepare large plant facilities in advance when its customers' demands are growing. Many other businesses can defer such additions to a more auspicious time. Utility managers must anticipate requirements several years ahead and build no matter what the cost. The problem is particularly difficult for this industry. The public *versus* private power controversy could very easily be

transferred from the valley authority arena to the plains of finance. Should private capital not be able to meet the demands for expansion, some Federal agency, perhaps a utility RFC, may attempt to take over the job. So the industry faces the greatest need for new money at a time of increasing scarcity, thus complicating the task. One answer to the situation is a vigorous program of investor cultivation.

When we speak of the investor, we should have in mind not only the purchaser of securities, but also all those whose business it is to channel savings into productive enterprises. For convenience, we call the entire group the "financial community," although it is not one community at all. Some large financial centers include all its elements. To many "Wall Street" is the typical designation. But the financial community is not Wall Street, LaSalle Street, or Montgomery Street, exclusively. These concentrated communities have their local counterparts in every section of the country. Any program for their cultivation must start with the local investor and the financial community which caters directly to the territory served by the utility. While most new issues originate in New York, Chicago, or some other financial center, no investor relations program is realistic that does not provide an appropriate place for local financial facilities.

The largest and best known segment of the financial community is the commercial bank. While not essentially a part of the machinery by which new capital is raised, it has a definite place in any investor relations program. The banker is a student of investment—the management of his various portfolios, whether large or small, is one of his most important responsibilities. He has more than a casual acquaintance with financial problems, and, even more important, has ready access to sources of information and advice. When he is a utility company's mortgage trustee, transfer or paying agent, he has some contact with its investors. The commercial banker is the source of temporary borrowings pending permanent financing, a function which may become increasingly important. Now, perhaps, more than in many years, the utility company relations with banks should be secure. Especially is it a good plan to anticipate the time when it may need to borrow beyond the lending facilities of its local banks. Where such a company does not already have a well-seasoned relationship with one or more banks having sufficient lending capacity for its needs, it may some day find such accommodations difficult to arrange. More and

¶ "THOSE *whose job it is to finance enterprises are disturbed over a growing shortage of risk capital. The lifeblood of a capitalistic society is capital. Many contend that Federal tax policies have practically dried up the sources of the venture money which through the years has built our economy. This is a serious situation for an industry which must prepare large plant facilities in advance when its customers' demands are growing.*"

more funds are being reserved for regular customers, all of which may seem strange to many a utility man who has recently been solicited for a loan. The situation has changed.

THE most conspicuous part of the financial community having to do with the raising of new capital is the investment banker, and his function is well known. He may be found not only in the large centers where there are many nationally known names, but some relatively small communities support active and effective houses.

A less known part of the investment machine are security analysts. These men are expert appraisers of securities and their findings influence many decisions important to industry. The ratings of Moody's, Standard & Poor's, and Fitch are products of the analysts' art. An investment banker makes his bid for new issues largely on the basis of his analyst's report. Many investors form their judgments on an analyst's recommendation.

The security analyst's foundation material is the statistical information contained in the financial services, and especially registration statements. On certain phases "feel" is important to a proper judgment and feel is not too easy to read into these technical sources. How strong is the management now that the expert holding company has turned it loose? For the answer to that question, he wants to know the management personally. What is the customer's attitude toward the company and its policies? Perhaps only a survey on the premises can answer that one, yet most analysts gather reams from a short chat with the people who make the policies. What is the outlook for the territory served? Is the company's business well diversified or dependent on one type of industry or activity? Much of this material can be secured from public information but there still should be some personal contact with the situation to develop the necessary "feel."

Careful craftsmen are constantly on the alert for information they do not find in the regular course. Some analysts visit the territories of companies they are studying and all look for opportunities to talk with company officials. In the larger financial centers, analysts maintain close contacts with each other and exchange information freely. Many "Street" rumors reflect some analyst's observation. In New York analysts maintain a club which meets four times each week to hear an off-the-record account from the principal officer of some nation-wide enterprise. Once each two weeks the visitor is a utility executive, and usually more than a hundred, and frequently as many as one hundred and fifty, attend to listen, ask questions, and take copious notes. The point of all this discussion, which may seem unduly magnified, is that the analyst is an important part of the financial community who frequently is overlooked or underrated.

SECURITY exchanges, of course, play a large part in the financial community. To list or not to list is always a question. Does the particular company require a nation-wide market from which to draw its capital or should it encourage local brokers to deal directly with its customers and friends by not listing and thereby allowing them to charge commissions



Secure Relations with Banks

"Now, perhaps, more than in many years, the utility company relations with banks should be secure. Especially is it a good plan to anticipate the time when it may need to borrow beyond the lending facilities of its local banks. Where such a company does not already have a well-seasoned relationship with one or more banks having sufficient lending capacity for its needs, it may some day find such accommodations difficult to arrange."

larger than those permitted under usual security exchange rules? Customer ownership has considerable merit if sufficient funds can be secured from local sources, and it provides a certain security that cannot be denied. But here, as with commercial banking relations, the adequacy of local facilities must be weighed carefully. Some day a large capital requirement may make it necessary to seek wider markets which then may be unresponsive because the company is not well enough known outside its own service area.

The largest purchasers of senior securities are various institutions and trust funds. These are the discriminating, highly informed investors. Leading all of these are life insurance companies. Eleven to 12 per cent of the total physical assets of the nation's life insurance companies are in electric power and light securities. They hold from 75 to 80 per cent of the industry's long-term debt. Through the years, the stable earnings and continuing growth of the electric utilities have appealed to these most conservative of investors, and, during the past few years of scrambling for high-grade investments, institutions have increased their utility holdings appreciably. While they have been exacting as to mortgage protection and quality, they have paid good prices. In recent years, finding opportunities to invest the tremendous amounts of cash received from premiums and maturing issues has been more difficult even than developing new business. Until a short time ago, the competition for prime issues among these large buyers has made a very attractive market for new and refunding issues and the electric industry profited handsomely from the opportunity.

But this situation is changing. Now other industries have strengthened their bids for new financing. Housing, for instance, is becoming particularly attractive to the insurance companies. With the firming of interest rates and the greater availability to large investors of other attractive securities, the utility industry must anticipate a much more selective market for its senior securities. Only top-grade mortgage bonds and debentures will be sought after. Mortgage provisions, particularly sinking-fund, depreciation, and maintenance covenants will be more closely traded. Preferred stocks probably will not be in favor with this important group of buyers, and bonds rated under the highest grade will sell only at a price.

While we have mentioned only the insurance companies as institutional investors, there is, of course, considerable variety in this group. Savings banks, endowment funds, trusts of all types have staffs of analysts seeking out items in which quality and return blend in the right proportion to attract their funds. Institutional investors, with their complete facilities for research, are the best informed of all investors. But there are many others, small and large, who inform themselves thoroughly before venturing their funds. Some of these use investment services, others employ investment counselors, and still others depend on brokers for such advice. From some source they receive the impressions on which their purchases are based and it is important in any investor relations program to see to it that their advisers have adequate and accurate information.

It would, of course, be inaccurate to say that there are no uninformed investors. Yet there is a substantial group of individuals who buy and sell securities of all sorts with the most meager technical information. The particular utility company's customers, for instance, may know its executive and other officials, and, having confidence in the way they handle their contacts with them, they are willing to entrust their savings with that company. Cultivation of them perhaps is more a matter of customer relations than it is investor relations, although some customer-owners will complain about high utility rates and low dividends in the same breath. In the aggregate, the purchases of this small investor are important to a company's financing program and his cultivation cannot be overlooked.

Where should one start to make friends and influence people in the financial community? It would be trite to point out that there must first be a firm performance foundation before any friendly advances will attract any attention. Adequate earnings and a fair dividend policy are indispensable requirements of the investor in stocks; safety and coverage the inflexible yardsticks of the bond buyer. Assuming that there really is something to talk about then, where to begin? Perhaps the most obvious first step is to list for an early call large holders of any security. These investors are already committed to the enterprise. It is important that they continue their position and make new friends for future issues.

The stockholder list, of course, will furnish leads on whom to see, and the agency which pays bond coupons can

furnish a fair list of large holders of bonds. Any large insurance company holdings probably will be well known. These especially should be cultivated. Changes in the stockholders' list that may indicate a trend in ownership should not be overlooked. Important accumulations or sales might represent spots where some special attention is desirable. Personal cultivation of interested substantial security holders will pay good dividends.

Next there are opportunities for cultivation within the company's service area. Customer ownership is no new thing for electric companies and there are many who say they would prefer it did not progress too far. In the past, intensive sales of preferred stocks, which later declined in price, left many problems in its wake. But actual customer ownership of the company, which was not possible when holding companies held all the common stock, would afford an effective defense against public ownership and other unfriendly activities. Most important, perhaps, is the fact that the customer market may have to be developed to the fullest if the companies are to find the new capital they need. More and more, as intensive sales campaigns are required to find buyers for new issues, a company's customers may prove better prospects than the stranger with even more cash resources. Customers who are sold on your service should be ready prospects as owners. Contact with them is a job for those company employees who know them best; anyone from the meter reader to the president.

THE only avenue to the general, loosely defined group whose willingness to purchase your bonds and stocks in the last analysis dictates the success or failure of your financial operations, is through the financial community which serves it.

High in your list of contacts in the financial community should be one or more investment bankers. Included will probably be some who previously participated in the company's financing, but should not be limited to them. In addition to visits with institutions which hold a company's securities, as suggested above, company management should also include for regular cultivation one or two others which do not now own any. Calls on investment bankers and insurance executives should not wait for a specific piece of financing. From these visits the management will learn a great deal about current trends and those visited will, in turn, become better acquainted with the company and its officials. Do not overlook local investment bankers and insurance executives. If the management has not already made such a pro-

¶ "THE *largest purchasers of senior securities are various institutions and trust funds. These are the discriminating, highly informed investors. Leading all of these are life insurance companies. Eleven to 12 per cent of the total physical assets of the nation's life insurance companies are in electric power and light securities. They hold from 75 to 80 per cent of the industry's long-term debt.*"

gram part of its routine, it will be surprised how welcome such contact can be. It will develop close personal relationships which, when some financing is in prospect, will pay off well both for the company and its banker and insurance friends.

Previously we made quite a point of the importance of the security analyst. Because his activities are more or less obscure, company management should know well and see regularly a few selected representatives of this group. Every investment house and many banks employ one or more analysts who specialize in utilities. A number operate privately as consultants. These analysts keep in close touch with each other. News both good and bad circulates among them freely and amazingly fast. The more accurate and constructive are their reports about the particular company, the better its securities will fare.

Management's calling list should certainly include the rating agencies. While some managements may feel that registration statements, annual reports, and such other "must" publications are all any agency should expect or need, personal contacts add a touch impossible to get over in any kind of statistic, written word, or series of pictures. The utility man from Moody's, Standard & Poor's, or Fitch would welcome any company official's offer of coöperation and the better understanding will be reflected in more accurate ratings.

CULTIVATION of security exchanges may seem a forbidding and futile project but actually is not. The utility industry's stake in maintaining a successful security market is great and if, by understanding their problems, industry officials can contribute something to their success, their efforts will be worth while. Exchange officials from the big board on down are very conscious of customer and investor relations and especially wish industry to understand their operations. A realization by electric light and power people of the problems involved in the free flow of capital, translated into some grass roots action, should go a long way toward building a better understanding by the general public of this complicated business mechanism. Where a company's stocks or bonds are listed on some exchange, company officials might well get to know the people who run it. They could include a visit to the New York Stock Exchange when they are in New York. They will be impressed with its efforts to accelerate the free flow of capital to the growing needs of industry.

One indispensable tool for the financial man is the advice and counsel of a top-flight economist. Many banks, insurance companies, and other such institutions have well-equipped economic departments. Many services publish periodic forecasts based on the researches of their economic experts. An occasional visit to an economist, in whom a company's officials have confidence, will help crystallize the information gathered from his own reading and keep him abreast of trends pending the day when some immediate financing must be set up.

The financial press is a most effective medium of contact with all sorts of investors. Its business is to ferret out news which operating companies from time to time create. The companies have but to apply the same press

technique used in the communities served. Metropolitan newspapers, *The Wall Street Journal,* the *Journal of Commerce,* and other business papers reach all sections of the country and are avidly read by present and prospective stockholders. Seeing that these papers are properly equipped to tell management's story adequately and interestingly is a rewarding practice.

CLOSELY akin to such publicity is the information sent out at regular intervals to stockholders. The most important, of course, is the annual stockholders' report. Utility companies hold a high position in this field. They do not do so well in the matter of interim reports. The regular dividend offers a pleasant vehicle to send a telling message. But even with the fine job now being done, there is still opportunity for improvement. Few companies, for instance, know with any degree of accuracy the audience they address. It is possible to survey ownership as between men, women, and institutions, and the geographical distribution is simple to obtain. But is it not important to know how well informed on financial matters the owner is?

If tradesmen and thrifty mechanics predominate, the approach will be different than for highly informed investors who depend on matter-of-fact security analysts for their judgments. There are many ramifications to this question of published reports which some degree of imagination will uncover. A wide-awake security analyst can help you select material to be included. Company employees will be interested in the information stockholders get, and stockholders in employee house organs. All the company's friends in the financial community will want to see everything sent to stockholders. If any special statistical studies are made, copies should be sent to the company's security analyst and rating agency friends. The trustee of its bonds, its transfer or paying agent can be very useful in sending material to bond and stockholders. Telling its story in the best way is a major activity and most important in the company's quest for friends in the financial community.

This discussion has, of necessity, been sketchy but it should make very plain the fact that, if light and power companies are to attract the tremendous sums required for expansion, some very active and effective cultivation of the investing community will be required. The job is one on which only the best talent should be employed. Much of the work will fall directly on company presidents, most on top-ranking financial officers. Any plan will fail that does not fix responsibility directly on some one person with imagination and energy. Given adequate facilities, including time to do the job properly, sufficient authority to permit prompt decisions, and enthusiastic coöperation of senior officials, there should be no doubt as to its success. Certainly the managements that have achieved such high standards of customer and employee relations will not find it an impossible task to meet this new friend-making challenge.



The Fair Employment Practices Scheme

Public utility industries are familiar from their experience during the war with the tendency of so-called Federal "fair employment practices" regulation to use public utility employment as a guinea pig. Here is a critical analysis by a veteran and tireless liberal of some loose thinking which has characterized this type of social reform.

By DONALD R. RICHBERG*

JUDGING by what happened during the time the late President Roosevelt's Fair Employment Practice Committee was actually in operation, it seems almost inescapable that a revival of this type of reform would have special significance for public utility companies. It will be recalled that the Capital Transit Company in Washington, D. C., and the Southern Railroad were among those public service organizations which received special attention of the wartime FEPC.

The reason why utility companies are likely to get such special attention is probably because the nature of their business brings them in contact with all types and classes of the general public, including all minority groups which go to make up the community. The idea behind such experimentation is doubtless the thought that if reform efforts work well with respect to monopolistic employment then they can be safely tried out on more varied and competitive types of enterprise employment. But whether it's tried out on utilities first or any other branch of business employment, this simple fact remains: A national "fair employment practice" law is the cleverest scheme yet devised to ruin private business.

Yet a great many people in the United States who are sincere believers in our free economy, which is the very foundation of our free government, are advocating such a destructive law. By a false appeal to their love of freedom and tolerance they are being persuaded to advocate political tyranny and intolerance.

LOFTY statesmen and ardent idealists tell us that all human beings should live and work together in complete disregard of all the age-old racial

*For personal note, see "Pages with the Editors."

or religious differences that make them feel and act differently. If people won't do this, we are told that the way to make them all equally angelic is to pass a law forbidding them to act like human beings.

By this logic, a law should be passed in India to compel Hindus and Moslems to work together. Apparently every nation ought to pass a law compelling people of all races, religions, and nationalities to work together, although how to create a common faith and how to compel people to ignore their profound racial and religious differences would be quite an administrative problem! However, if we try to accomplish this miracle in the United States, the entire world may profit by our experience. We certainly hope that someone profited by our 14-year experiment with national prohibition. Some seem to think that it is time for another even more dangerous but very noble experiment!

On this high moral basis a law is now being proposed in Senate Bill 984 which will make it unlawful for an employer to discriminate against any employee, or applicant, because of his race, religion, color, or ancestry.

In order to enforce such a national law there will be created a commission, with an army of investigators, prosecutors, and trial examiners, to prevent employers from practicing "discrimination" in the daily hiring, discharge, promotion, or other treatment of perhaps 30,000,000 employees. This means that the countless, intimate details of organizing and controlling their working forces by myriad employers will be subject to constant investigation and regulation by a horde of public officials, acting upon the incessant complaints of disgruntled employees, labor unions, political agitators, and racial and religious organizations.

Such a law as proposed in S 984 would be

As noble in purpose as national prohibition.

As easy to understand as the causes of inflation.

As simple to enforce as income taxation.

As inexpensive to administer as universal price regulation.

As constructive as a bubonic plague.

As liberal as a Communist revolution.

OF course, discrimination in the choice of companions is the very essence of social liberty. Discrimination in the choice of business associates is the very essence of economic liberty.

But the advocates of antidiscrimination laws argue that they are not restricting *social* liberty. The fact is that they would seriously restrict social liberty. They would compel employers to associate constantly with undesired employees. They would also compel employees to spend their most important time, their working hours, in association with fellow workers less congenial than others who might have been hired by a discriminating employer.

But, these advocates assert that no man should be "deprived of the chance to earn his bread by reason of the circumstances of his birth." This argument seems to assume that jobs are something which exist like natural resources and should be evenly distributed to all citizens. The fact is that an employer creates jobs, and is able to



Economic Liberty of Employer

"THE essence of the economic liberty of the employer is his freedom to organize a working force that will produce goods and services which can be sold and which will satisfy customers, either by the quality and prices of the products or by direct services to customers. Such a law as S 984 would force an employer to hire employees undesirable to fellow employees, undesirable to customers, and undesirable to the employer."

do so only because he can get capital, can get customers, and can get workers able to produce things at prices which customers will pay.

The essence of the economic liberty of the employer is his freedom to organize a working force that will produce goods and services which can be sold and which will satisfy customers, either by the quality and prices of the products or by direct services to customers. Such a law as S 984 would force an employer to hire employees undesirable to fellow employees, undesirable to customers, and undesirable to the employer. This is not merely restricting economic liberty. This is destroying the foundation of economic liberty, which rests on freedom of association and liberty of contract.

IT is utter folly to try to compel millions of people to discard their racial or religious prejudices, however unreasonable these may be. It is utter folly to try to force new habits of ordinary conduct on people, by law. Undoubtedly, millions of people eat too much, drink too much, and smoke too much. Public taste in entertainment is deplorably low, according to the standards of well-educated persons. But, business—all private enterprise—is directed toward the satisfaction of consumer demands; and it would be both foolish and an abuse of power for a free government to attempt to set moral or intellectual standards for the production of goods and services. Only a paternalistic government such as that of Communist Russia would undertake to exercise such tyrannical controls over the lives of its citizens.

It would be, however, a striking move in the direction of Communism to subject employers of labor to political regulation of their daily selection and treatment of employees. It is,

therefore, most significant that the chief motive power behind the "fair employment practice" scheme is the Communist party and its train of fellow travelers. Of course there are many sincere anti-Communist reformers, many staunch Republicans and Democrats who earnestly support antidiscrimination laws.

But, let it be noted that, until the recent rise of Communist influence in America, no such idea as fair employment practice legislation ever rose to the surface of our politics. Nevertheless, this doctrine had been preached by Communists ever since the Russian Revolution. They had been diligently spreading pamphlets and speeches, particularly among negroes, promising that there would be no discriminations in that future happy day when Communists of all races and colors united to overthrow the capitalist economy and government of the United States.

WHEN the United States and Russia became allies in the World War, not only the doors but, unfortunately, the hearts of our people were opened to Communist propaganda. While we were fighting the war these foes of our own household were plotting to win the peace *for Communism.* They gathered in converts. They collected a following of befuddled liberals. They spread their seductive, poisonous ideas everywhere. As a result we had a Fair Employment Practice Committee created during the war that did no good whatsoever in aiding the war effort, but did a great deal of harm.

Then the left-wing factions in the Democratic and Republican parties began pushing demands for permanent legislation. They kept up a steady pressure on all negro publications and organizations to exert their political power. So now we have the disgraceful spectacle of both major parties bidding shamelessly for the negro vote with promises of antidiscrimination legislation, which would have two major evil effects on all our people.

First, it would intensify racial and religious intolerance and increase the class-conscious divisions which more and more impede our progress.

Second, it would hamper American employers so greatly in the maintenance of good labor relations and industrial efficiency that a drastic decline in production and an increasing disorganization of industry would be inevitable. Thus we would be forced into a desperate struggle, not only to preserve our liberties against the revolutionary attacks of an already well-organized Communism, but also to avoid yielding leadership of the fight to Fascist elements in our society, which also menace our liberties.

THOSE who urge us to antidote Communist propaganda, by enacting the antidiscrimination laws which Communists are demanding, are wrong on two counts. First, they would arm the Communists with a new and terrifying weapon for the destruction of private enterprise—a new government Ogpu with which to harass business managers. Second, they would repeat the folly of those who tried to appease Fascism in Europe and learned too late that the tiger cub, who could have been shackled, had grown into a man-eater who had to be destroyed.

Finally, let me point out that such an act of Congress as is proposed in S 984 is plainly unconstitutional, accord-

ing to uniform and repeated decisions of the Supreme Court.

The President's Committee on Civil Rights admitted this; but, against what it described as "six adverse decisions of the Supreme Court," the committee argued that (I quote) "Our Constitution has long been recognized by the Supreme Court itself as a flexible document, subject to varying interpretations and capable of being adapted to the different needs of changing times." So the committee expressed its belief that the Supreme Court would be "statesmanlike in interpreting the powers of Congress to deal with this problem."

In a brief filed with the Senate Committee on Labor and Public Welfare, I explained in detail how S 984 would violate the express prohibitions of the First, Fifth, Sixth, Ninth, Tenth, and Thirteenth Amendments to the Constitution as heretofore upheld by the Supreme Court. If a "statesmanlike" Supreme Court should now set aside all these guaranties of individual liberty, the major constitutional barriers to socializing the industries and government of the United States would be overthrown. The members of Congress, as well as the Justices of our Supreme Court, have sworn to support the Constitution. We should assume that they will be faithful to their oaths.



Plant to Use Sea's Energy

ELECTRIC *energy from the contrasting temperatures of the sea, at the bottom and near the surface, is the aim of a project soon to be built in French West Africa, according to a recent Paris dispatch. It is expected to aid in industrializing a territory rich in natural resources.*

The proposal is based on exploitation of the principle of thermal energy of the ocean. It was discovered by the French scientist, Georges Claude, now serving a life sentence in prison for wartime collaboration.

The site chosen for the novel power plant is near Abidjan on the Ivory coast in the Gulf of Guinea, one of the richest colonies of French West Africa. Various experiments attempting to convert the sea's thermal energy into electric power were carried out before the war off the Cuban coast.

Many years of research are claimed by Paris experts to have removed all the technical snarls. The principle of using the sea's thermal energy consists in harnessing various temperatures at the surface and at the bottom and turning them into electric power. The electricity thus produced should enable the Ivory coast to manufacture its natural resources on the spot and take its place among important modern industrial countries.



Beethoven Gets a Public Relations Job

For seven years Los Angeles has enjoyed its "gas company program" of fine records—and Beethoven, Bach, and Brahms have made friends in a way all their own. Here is how it is done:

By JAMES H. COLLINS*

Ever since October, 1940, radio listeners in the Los Angeles area have been tuning in on the evening concert sponsored by the Southern California Gas Company and Southern Counties Gas Company.

Most of them would say that the "gas company program" has been going on much longer than seven years.

From eight to ten, a couple of hours of recorded music is played over Station KFAC, every night except Sunday, and the programs are basically classical. From the start, there have been around 4,500 hours of Beethoven and Bach, Stravinsky, and Gershwin.

And terrible would be the howl that went up if these concerts stopped, because their unseen audience is up in arms if they even deviate from the printed programs that are published a month ahead. Last year somebody dropped and smashed an album, which happened to be the only one available, of a symphony that is no longer being pressed. And was there a tizzie about that!

Now, why should a gas company get itself into the separate business of broadcasting symphony concerts?

At the start there was a practical idea.

It worked out quite differently—and definitely for the better.

This is a story of public relations. For several years before these concerts began, J. S. Spaulding and Otto Mauthe, advertising and public relations executives, had been thinking about such a program from a hard-headed business-getting angle.

*Business editor and author, Hollywood, California.

The theory: That people who like classical music are mostly nice people, who like nice things, have nice homes, constitute a sort of upper crust to the community pie—and therefore should be the folks to talk to about the latest appliances.

Up-to-date gas ranges, gas water heaters, gas space heaters.

To burn more gas—and incidentally be talking to them about gas while the competition was talking electric ranges and heaters.

It happened that these gas men themselves liked classical music. Apparently nobody had heard of General Grant, who knew two tunes, one of which was "Yankee Doodle," and the other was not.

Or of the Los Angeles manufacturer who looks forward to opera nights, because then his wife goes to hear "Carmen" and he goes to play poker. Like General Grant, he is tone deaf, and, like the General, would be able to buy gas ranges.

It may be that these are exceptions, that most lovers of good music are upper crust, but in seven years it has worked out along entirely different lines.

GOOD music is a mass proposition. "At my age I am supposed to like only hotcha, because I am seventeen," wrote a high-school boy, "but I like your programs better, and think I ought to tell you so, and say I know a dozen fellows here who like them, too."

From the first program, careful records have been kept of everything played, and the changing taste of the listening audience, as well as its loyalty to old favorites, would be worth study by anybody interested in what people like to hear.

Some years before this program started, one of the Los Angeles radio stations tried putting on a similar program of classical records. It was felt that people who like "nice" music were being neglected, what with jazz and soap opera, so this station not only played records for several hours daily, but invited the people to write or phone in and say what nice music they wanted to hear.

The response was so feeble that eventually the program was killed. Nice people either did not write letters, like the jitterbugs, or there were so few of them that nobody need worry about their not getting nice music.

And still, at that time, for a dozen years, the Standard Oil Company of California had been broadcasting its "Standard Hour," live symphony and opera, and it had become popular up and down the Pacific coast, preceded by a school hour in which the weekly program was the subject of a lecture with musical illustrations.

THROUGH the depression, it is said, there was some thought of taking this high-brow program off the air. If management got economical, it was always a target. But in the oil company there was always somebody who liked nice music, and fought for it. Back in the dim 1920's, somebody made the first fight for it, before so much was heard about public relations—they say Phil Patchin, then in the public relations job, whose love for the "Standard Hour" was like that of the hen with one chicken. And it has now been running more than twenty years.

So, while the nice people do not

seem to give a tinker's damn about voting for nice music, yet the oil company and gas company broadcasts indicate that either they do care, or that they are changing.

The early gas company programs were heavily classical — those symphonies that have long been voted favorites in popular polls, with Beethoven's "Fifth" certain to top the list.

But with experience, and the making of more records, and the fan mail received, the musical fare has been greatly diversified.

THERE is now a weekly scheme under which the listeners hear the kind of music to which they are partial on certain nights, and the nightly programs are arranged according to a scheme.

On Wednesdays, there are singers, in opera and concert music.

On Fridays there will be chamber music, or ballet music, or an evening of one composer, or new recordings, or music by Southern California orchestras or composers.

On Saturdays, there is always an opera.

It is the rule now that there must be a soloist four or five nights a week, because the audience has shown a keen liking for piano, violin, and other instrumental concertos.

As the works of contemporary composers have been recorded, they have appeared on these programs. Regardless of the musical merits of new works, the audience freely expresses its likes and dislikes — with those who consider them just a lot of discord willing to tune out and let the others enjoy them, if they can. Music has always been something to fight over, and on these programs people stand up for their musical tastes.

With records it is possible to make distinct musical hits.

Several years ago a program titled "The Golden Age of Opera" was made up with records of Caruso, Melba, and other famous singers of another generation. It became a regular feature, and is repeated frequently. To listeners who have heard a good many of those singers themselves it might be a bit saddening. But the gas company audience is made up of listeners who never heard them, and likes to hear and compare them with present-day singers.

ON a concert made up of Southern California records, there was played last year a suite titled "Genesis," with compositions by seven musicians living in southern California, and narration by Edward Arnold. Adam and Eve, Cain and Abel, and Noah, were musically staged by Stravinski, Schoenberg, and others. That album runs nearly an hour, and immediately became a prime favorite. The record

¶ "EVER *since October, 1940, radio listeners in the Los Angeles area have been tuning in on the evening concert sponsored by the Southern California Gas Company and Southern Counties Gas Company. Most of them would say that the 'gas company program' has been going on much longer than seven years.*"

was made by Werner Janssen's orchestra, and other regional orchestras have waxed little-played works, like the first three symphonies of Tschaikovsky, recorded by the Santa Monica orchestra, under Jacques Rachmilovich.

Stipulated in the contract with Station KFAC is the purchase each month by the broadcaster of new records to a stated value, and thus there is constant variety.

Listeners regularly offer records of their own to be played, music that has never been programmed, and often obsolete records no longer obtainable. These offers are never accepted, on account of the breakage hazard. With the greatest care in the world, albums will be dropped. For that reason, each new album added to the library is bought in duplicate—and then if breakages occur it may be discovered that the album is no longer pressed, and is out of stock. The interest of the record manufacturers naturally lies in new albums that will sell.

But of what practical business value is such a program to a utility company?

Would not the same amount of money spent in newspaper, streetcar, radio, or billboard advertising be more productive of sales?

THE commercials on these programs are very severely restricted. There are not more than four during the two hours, each running not more than a minute, and never keyed to selling anything. Not even the gas company institutionally. The commercials are confined to a brief talk about gas fuel and service, and the suggestion that listeners visit appliance dealers and examine the latest ranges, heaters, and gas refrigerators. These companies sell no appliances.

Apart from the fact that the advertising of such a large utility organization is composite, including different media to do different things, this musical program has proved to have high public relations value. The listening audience is large, includes all population and economic groups, commands attention longer than any other form of advertising, and gets close to its audience, as a very personal thing. As a friend-maker, it is in its own class.

But there is another practical value —one that company executives hope will never be put to the test.

With war, and growing population, and diminishing reserves of natural gas, southern California has for a dozen years had a "disaster" hazard.

Suppose an earthquake, or flood, or some other emergency endangered the gas supply, and it became necessary to shut off some areas to conserve gas in other areas—what then?

IT is believed that any information that had to be quickly passed along to consumers would get instant attention and coöperation by announcement during this musical broadcast.

No earthquake or storm is needed, because until just the past few months, when Texas natural gas began to flow in through the companies' new pipe line, there was fear of a cold spell which would increase the household use of gas to the point where some areas might have to be shut off. Already, industrial users are subject to suspension of their supply. Cold spells are not extreme, nor do they last long, but they do create a problem, and the



One Practical Value of Broadcast

"SUPPOSE an earthquake, or flood, or some other emergency endangered the gas supply, and it became necessary to shut off some areas to conserve gas in other areas—what then? It is believed that any information that had to be quickly passed along to consumers would get instant attention and coöperation by announcement during this musical broadcast [gas company radio program]."

"gas company program" could go far toward furnishing a solution.

It is believed that, besides furnishing a channel for reaching one in ten customers in an emergency of this kind, the program has created understanding and good will which would secure friendly coöperation.

While these are only estimates, it is thought that at least 15 per cent of the people in the area listen to the program —and perhaps up toward 20 per cent.

This calculation is based on the monthly programs distributed. Around the twentieth of each month, a 12-page booklet listing all programs to be played the following month is available to listeners who will go to a gas company office and pick it up from a counter. There is no advertising at all. A composer's portrait appears on the front page, and the selections are arranged by evenings, with titles, composers, performers, and conductors, and the time taken by each composition.

HERE is the program for a Friday feature concert of an especially popular kind, perhaps because it is made up mostly of singers and soloists —the figures in parentheses refer to time for playing:

WEEKLY FEATURE CONCERT—A NIGHT AT THE OPERA

PROLOGUE TO MEFISTOFELE, by Boito. Nazzareno de Angelis, Basso with Chorus and Orchestra of La Scala, Milan, conducted by Lorenzo Molajoli *(24)*.

OTELLO—ABRIDGED, by Verdi. Lawrence Tibbett, Baritone. Helen Jepson, Soprano. Giovanni Martinelli, Tenor. Metropolitan Opera Chorus and Orchestra, conducted by Wilfred Pelletier *(53)*.

LA BOHÈME—SELECTIONS, by Puccini. CHE GELIDA MANINA — MI CHIAMANO MIMI — O SOAVE FANCIULLA — AH! MIMI, TU PIU. Licia Albanese, Soprano. Beniamino Gigli, Tenor. Giuseppe de Luca, Baritone. Chorus and Orchestra of La Scala, Milan, conducted by Umberto Berrettoni *(15)*.

TANNHÄUSER — EXCERPTS, by Wagner. TANNHÄUSER'S HYMN TO VENUS — PILGRIM'S CHORUS AND PROCESSION OF THE GUESTS — ELIZABETH'S PRAYER — EVENING STAR — TANNHAUSER'S ROME NARRATIVE. Lauritz Melchior, Tenor. Kirsten Flagstad, Soprano. Lawrence Tibbett, Baritone. Berlin State Opera Chorus

and Orchestra, conducter by Robert Heger *(24)*.

This concert took 116 minutes of playing time. The average is from 112 to 115 minutes. As there are 120 minutes in 2 hours, that leaves 5 to 8 minutes for announcements, including commercials, indicating how little "plugging" is done for the companies, or appliances, or gas fuel.

Maybe just as welcome to listeners is the absence of "interpretations" that rehash all the old stories in the musical dictionaries. Seasoned listeners, tuning in night after night for years on end, want to hear—just the music.

LISTENERS pick up programs at gas offices, because they are worth going after, and the company does not want the cost and complications of maintaining a mailing list. Such a list might run to an expense of a dollar per name, and the listener would feel that he was paying for something, and could become critical. Over the years the pick-up plan has worked out best. It is frequently explained during the concerts.

At the start, 15,000 programs were needed, and in seven years that has increased to 40,000, and is still rising.

In the city area served by the Southern California Gas Company there is a population of about 1,500,000, and in the metropolitan area served by both companies, between 2,250,000 and 2,500,000.

Figuring that for each program taken there are ten listeners, a ratio found by a survey, there are probably 400,000 to 500,000 listeners in the whole area.

Another clue to the audience is the fan mail, which started almost immediately and has continued at a constant pace, coming from about the same kind of listeners.

THERE are three kinds of listeners, all serious, though they range in age from five to ninety.

First—Those who express appreciation, and often say they are sorry about not having written sooner. Emil Ludwig, the biographer, wrote recently to thank the company for the concerts, which he and his wife had enjoyed during a stay in Hollywood.

Second—Those who comment on a particular program, and often say they looked forward to hearing particular compositions, and would like to hear them again.

Third—The approval and request letters, which can be critical. Any change in the listed compositions brings protests, despite the fact that records can be dropped, or copyright prevent playing of particular music. The requests are not only for favorite compositions, but are often wanted for family events, like birthdays. As the programs are made up two months ahead, these cannot be granted.

Fan mail abundantly proves that the concerts are very personal to listeners, establishing a relation that differs from all other forms of advertising.

These letters come about 50-50 to the company and the radio station.

STILL another insight into listeners is the demand for records at the music stores, where purchasers appear to buy compositions that have been played, and proved popular. They want to own the records themselves. Music stores have found this interest so definite that in many cases they now

help distribute the monthly programs.

Finally, such programs depend to a great degree upon the programmer and announcer, who makes up the programs not only to meet requests, but with the good musical judgment of the experienced symphony programmer.

People who like good music want to hear the old stand-bys every so often. It is said that if each symphony conductor does not, during each season, play Beethoven's "Fifth," Schubert's "Unfinished," and so on, he might as well buy himself a hand organ and get a monkey. Also, he is expected to play a good many of the most excruciatingly modern and experimental works.

The gas company program has had two programmers.

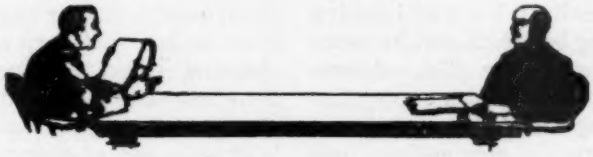
At the start, Perry King served the musical fare, and when he went away to war, Tom Cassidy succeeded him, and still presides.

Both men have musical training, and excellent musical judgment, plus the voice quality and diction that make them competent and pleasing announcers.

Both have the microphone personality that characterizes Milton Cross, nationally heard announcer of the Metropolitan opera and other fine musical entertainment.

Beethoven and Bach are capable of improving the public relations of a utility company.

But they have to be regularly put to work by somebody who understands their possibilities, if this gas company concert is any guide.



"EXECUTIVES have a responsibility to the nation to use their influence, in the public interest. They can do this in the three following ways:

"FIRST, by keeping their own companies economically and technically strong.

"SECOND, our executives should become missionaries, spreading facts and promoting an understanding of our economic system. What is fundamental and elementary to you unfortunately is not realized by the rank and file of the people. Every executive has opportunities to get this story across to his employees and to support such educational work directed to church groups, teachers, and others in his community.

"A well-informed public will support an enlightened industrial leadership in building up our economy so that we will be able to meet our international obligations while at the same time promoting and protecting the interests of our own people."

—STEWART N. CLARKSON,
Executive vice president, Industrial Furnace Manufacturers Association.



Metropolitan Area Regulation For Border-line Cities

Many large American cities are situated on or so near state lines as to make their policing and regulatory operations an interstate problem. Washington, D. C., is unique in having a metropolitan area spreading into two state jurisdictions. Is an interstate form of metropolitan area control for public utilities needed? The author examines this question.

By ARNOLD HAINES *

A NEW type of public utility regulation may have to be born of necessity. It is a hybrid requirement—being both local and interstate commerce in its scope. This reference is to an increasing number of complications arising out of the regulation of public utilities in metropolitan areas which sprawl over state lines.

One might think offhand that such circumstances are exceptional or so infrequent as not to be a real problem. Perhaps that was true back in the days when urban populations remained urban; and suburbs were really suburbs. But with the vast increase and consolidation of adjoining urban and suburban areas in all larger cities, the problem of interstate utility service in the same metropolitan areas has become all too commonplace. This is true not only with respect to such mobile public services as streetcar, bus, and taxicab transportation, but telephone, gas, and electric services—the type of utility service considered more or less stationary and local in character — have been expanding in these interstate metropolitan areas to an extent giving rise to real regulatory headaches, for adjoining state commissions.

Consider the fact, for example, that out of the 100 American cities, according to rank and population, 25 or one-fourth are located either on state lines or so near state lines as to have interstate utility operations, in order to serve the local metropolitan area. If 100 cities are too large to envision readily, take the first 10 by rank: New York, Chicago, Philadelphia, Detroit, Los Angeles, Cleveland, Baltimore, St. Louis, Boston, and Pittsburgh.

THE four largest in succession are easily interstate (and Detroit is even international, creating another

*Professional writer of business articles, Washington, D. C.

problem). Throw in St. Louis and you have 5 interstate cities out of the first 10 ranking cities. And there are even some interstate overtones respecting public services in Pittsburgh and Boston. But it is the eleventh ranking city in the United States (according to 1940 population) which has provided a most unusual setting for the problem of interstate-metropolitan area regulation. That is Washington, D. C. — the nation's capital—situated by terms of the Constitution between the states of Virginia and Maryland. Even far western citizens have become vaguely familiar through daily newspaper reading with the city of Washington's growing pains.

They may recall, for example, that even government buildings have been forced out of the strict confines of the District of Columbia, and that when the Army built its colossal new Pentagon building, it was obliged to go across the Potomac river into Arlington county, Virginia. Immediately, a regulatory problem was born. The Capital Transit Company was authorized to establish a bus line to bring workers from the District to the Pentagon building.

As long as the wartime Office of Defense Transportation was in existence to slash red tape and jurisdictional restrictions, the regulatory problem was held in check. (That is, whether the public utilities commission of the District of Columbia, or the Virginia Corporation Commission, or the Interstate Commerce Commission should control the operation.) When the ODT passed out of existence, the regulatory problem became just a little too much for the Capital Transit Company to handle for just one bus line, as compared with the hundreds of miles of its regular operations within the District. The Pentagon line was abandoned. A regular interstate bus carrier now operates instead.

It should be said, on behalf of the Interstate Commerce Commission's motor carrier division, that it has tried intelligently and vigorously to solve this interstate metropolitan area problem within the limits of the Motor Carrier Act. It has established in Washington, as well as other major city areas, so-called "commercial zones" which are regarded as part of the mother city. "Commercial zones" so far established by the Interstate Commerce Commission have been set up in St. Louis, New York, Chicago, Los Angeles, Philadelphia, and Boston —to mention a few of the larger places.

Within the "commercial zone," an ICC license is not required, as it is, ordinarily, in interstate commerce. If transportation begins and ends within the zone, it is exempt from a great many ICC regulations. No certificate of public convenience or necessity is required. Rates or fares are not subject to regulation. But the carriers are subjected to safety regulations of the ICC and to labor regulations that affect hours of employment. Weighing of goods carried is also dispensed with within the "commercial zone."

But even these "commercial zones" are splitting at the seams. The Capital Transit Company wants the ICC to widen the official Washington "commercial zone" which was set up in 1937. An excellent article by William A. Millen, staff writer of *The Evening Star*, described in interesting de-

tail the way this "commercial zone" has expanded. The accompanying map, which was first produced with Mr. Millen's article in *The Sunday Star* of February 8, 1948, tells the story more readily and graphically than a text description of place names which may not be familiar to readers of this publication.

The same civic-minded, public-spirited *Evening Star* in the fall of 1947 featured an editorial suggestion for the establishment of a regional regulatory commission to take care of public utility matters arising within the Washington metropolitan area overflowing state boundaries. For the nation's capital, this would, of course, probably take the form of proposed legislation in Congress. The *Star* pointed to increasing dissatisfaction with the present cumbersome method of regulating transit fares between the District of Columbia and government buildings in near-by Virginia and Maryland.

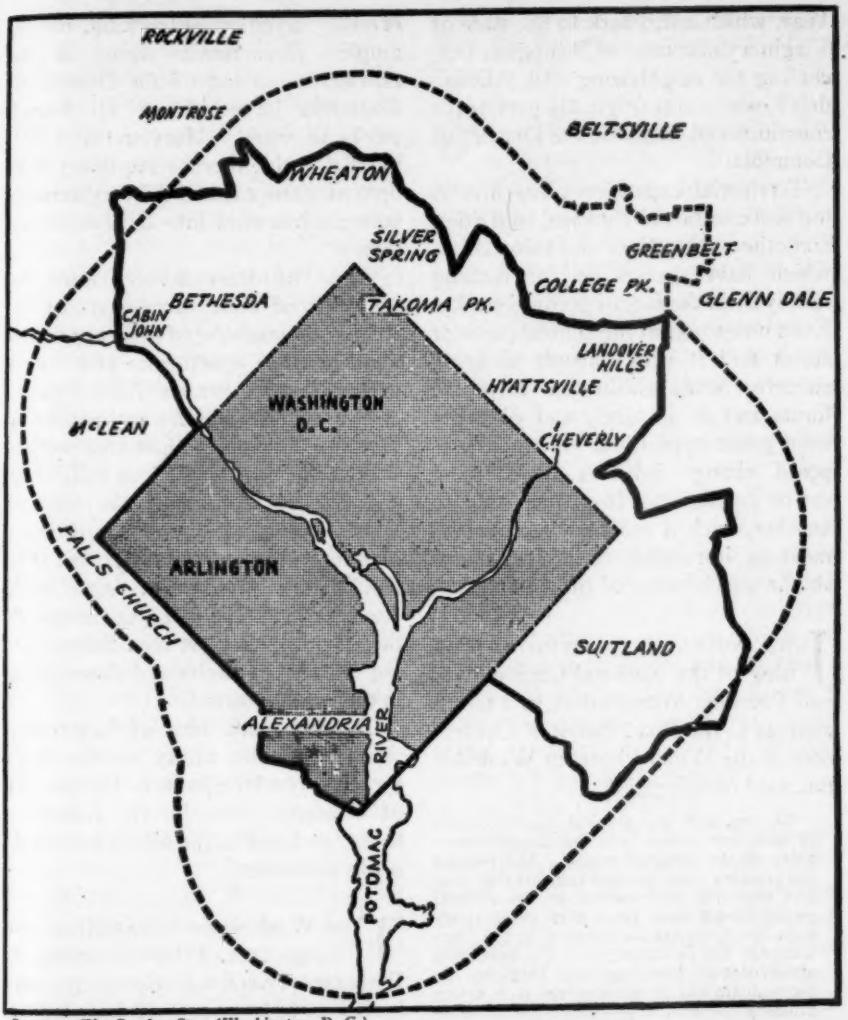
If Congress would consent to the establishment of a regional board, in which Maryland, Virginia, and District regulatory authorities would participate, it doubtless could be classed under the Federal constitutional provision regarding interstate compacts.

This idea is not entirely new. We have, for example, a Port of New York Authority which, it is true, is more of an operating than a regulating agency. Yet, it is a self-supporting public corporation in which both the states of New York and New Jersey participate. It was created in 1921 by treaty between the two states to deal with the planning and developing of transportation facilities and to improve and protect the commerce of the greater New York port district.

While the principal function of this authority, administered by a joint commission of members from the two states, is the construction and operation of a vast amount of port terminal facilities, including airports, bridges, and tubes, it also regulates the rates and services of these facilities, apparently on a mutually satisfactory basis. It sets dock fees, storage charges, the price you must pay when you drive into New York by way of the Holland tunnel or the George Washington bridge.

Coming back to the Washington situation, but considering it simply as an extreme example of parallel situations in other border-line towns, one suggested solution must be discounted,

¶ "Territorial *expansion plans involving sentimental attachments, land titles, and other connections and associations which have grown up for decades simply fly in the face of political reality. Even cities within the central parts of states find it very difficult to bring suburban areas within their corporate limits and do so rarely and generally over great opposition. When a proposed change involves transferring entire populations from one state to another, such a solution becomes almost as impossible as trying to reshuffle the citizenry of the Balkans.*"



Courtesy, The Sunday Star (Washington, D. C.)

This is a map of greater Washington put in evidence by the Capital Transit Company in its case before the Interstate Commerce Commission, seeking to have the 1937 commercial zone enlarged to keep pace with the fast-growing urban population. The inner solid black line indicates the 1937 boundaries. The minimum expansion which the company wants the commission to establish is the outer broken black line. Other utility services traverse even larger areas.

notwithstanding its surface plausibility. That is the suggestion of territorial expansion of the city limits. In the case of Washington it might be necessary only for Congress to repeal certain legislation passed before the Civil

War, which ceded back to the state of Virginia the county of Arlington (excluding the neighboring city, Alexandria), which was originally part of the constitutional limits of the District of Columbia.

Territorial expansion plans involving sentimental attachments, land titles, and other connections and associations which have grown up for decades simply fly in the face of political reality. Even cities within the central parts of states find it very difficult to bring suburban areas within their corporate limits and do so rarely and generally over great opposition. When a proposed change involves transferring entire populations from one state to another, such a solution becomes almost as impossible as trying to reshuffle the citizenry of the Balkans.

JOHN NOLEN, JR., director of planning of the National Capital Park and Planning Commission, in a recent address to the Road Builders' Conference at the Willard hotel in Washington, said on this point:

> No one with any political realism would propose any change in jurisdictional boundaries of the national capital. The reasons are complex. Yet the fact remains that control over the environment of the Federal establishment now no longer rests solely with the Congress as intended in the Constitution, but is shared with the governing authorities in Maryland and Virginia. So the realistic and democratic way is to devise practical coöperative procedures for correlating objectives subject to separate political control.
>
> Comprehensive planning on a metropolitan basis would seem to offer the most logical first step in this direction.

The difficulty is that economic and geographical progress will not wait for political or administrative solutions. It keeps on marching and creating the problems in its wake. Take ordinary commercial trucking, for example. Department stores in the downtown section of the District of Columbia have opened up branch stores in near-by Maryland and Virginia suburbs, thereby requiring freedom of transport and delivery services between branches into the customers' homes.

Some furniture movers want the "commercial zone" area extended by the ICC to take care of ordinary movement between apartments and homes of the cities of greater Washington.

The Census Bureau estimated the Washington metropolitan area population as of April 1, 1947, at 1,205,220. But the population of the city of Washington (estimated as of three months later) was only 861,000. Doubtless a number of other large American border-line cities can match this disproportion between citizens living within city limits and those living in the "greater area."

To give some idea of how other types of public utility service have spread beyond the limits of the District of Columbia, consider the following facts developed in the Millen article already mentioned:

THE Washington metropolitan exchange area of the Chesapeake & Potomac Telephone Company embraces a wide sweep. It includes an area beyond Great Falls, Rockville, Wheaton, White Oak, Beltsville, Lanham, Marlboro, Clinton, and Fort Washington in Maryland. In Virginia it includes below Mount Vernon, Franconia, Annandale, Falls Church, Tysons Corner, and nearly to Dranesville.

Everett J. Boothby, vice president and general manager of the Washing-

ton Gas Light Company, explained the extent of operations of his firm in greater Washington. He said in Virginia it extends well below Alexandria, Belle Haven, and Warwick, below Penn Daw, well below Falls Church into Fairfax county; to Bailey's Crossroads, and it plans to go to Fort Belvoir and Mount Vernon. In Maryland, he explained, lines go just beyond Rockville, south of Laurel, to Beltsville, Lanham, and Cheverly, to District Heights and Gordons Corner. Eventually, Mr. Boothby declared, lines may extend to Chesapeake Bay.

In southern Maryland the company plans to project its lines as far south as facilities are required and business justifies expansion. All natural gas is involved in these operations, both in the District and in metropolitan Washington.

The Potomac Electric Power Company lines extend far into Maryland. Officials point out that urban, suburban, and rural rates are approved by the Maryland Public Service Commission, which endorses the boundaries. Electricity started out from the urban centers and all the region in which Pepco lines are found cannot properly be called greater Washington, for some are in open country.

Parts of Montgomery and Prince Georges counties are not served by Pepco, but by the Consolidated Gas, Electric Light & Power Company of Baltimore, Maryland. The Potomac Edison Company, another firm, serves part of Montgomery county also. Near Cheltenham, a Maryland coöperative electric company serves that area. In the total area which Pepco serves, officials say there are 245,000 customers.

In Virginia, Pepco serves but a small slice of the Old Dominion, with its lines to Colonial Village and Fort Myer.

But in Maryland they stretch as far as Germantown, Neelsville, Laytonsville, Brookeville, Sandy Spring, and Fairland in Montgomery county.

In Prince Georges county, Pepco lines go to Muirkirk, Greenbelt, Bladensburg, Oakgrove, Wells Corner, Nottingham, Cheltenham, Piscataway, and there is also a line that runs down to Indian Head in Charles county, Maryland.

The Virginia State Corporation Commission, which rules as a public service commission, sets the limits in that state.

Obviously, this regulatory problem is getting bigger all the time. It is not standing still. Secretary of Interior Krug recently reported to President Truman on the need for looking ahead for goods and services for "a maximum employment economy with a national population of 147,500,000 people in 1950, of 155,000,000 in 1960, and perhaps 165,000,000 in 1990."

With the present trend towards urban population already well established, it is a reasonable expectation that border-line cities will get a great proportion of this growth and that other cities not now considered borderline will in future years find themselves in that category because of such population growth. What the mechanics or procedures for setting up interstate-metropolitan area regulatory commissions might be is simply a fruitful field for speculation at this time. But it is certainly not too soon for students and planners of regulation to be giving thought to the matter.



Washington and the Utilities

Whose Crisis Is This?

THE steady accumulation of war clouds seems to have increased the undersurface activities of Washington bureaus seeking to find their place in the new "defense emergency" setup. Pre-Pearl Harbor veterans on the Washington scene will recall the 3-way contest which went on between the then FPC Chairman Olds, Secretary of Interior Ickes, and a still unknown but rising young man by the name of Julius A. Krug, as to who would boss the wartime control setup for the public utility industries. Nobody paid much attention to Krug in the beginning, because he was simply the head of a division of the defunct Office of Production Management, which later became SPAB and finally WPB.

The contest for the presidential nod of approval from the late Franklin D. Roosevelt seemed to lie principally between Ickes and Olds. But while these two officials were still sizing each other up, the doughty Mr. Krug walked right between them and jumped into the driver's seat; began to issue priority orders to all and sundry regarding wartime restrictions for utilities. What was more, Krug did such a good job of it that the White House permitted him to consolidate his powers by issuing the famous memorandum of the winter of 1941, which relegated both Ickes and the FPC to a relatively advisory capacity.

Once more we have the possibility of a similar situation cooking up. Nobody knows yet if there will be war or when, any more than people were sure about war before Pearl Harbor. But it was recognized that the defense organization was then in a plastic state. Evidently the FPC is not going to lose position by default if a new defense emergency control setup becomes necessary for the utility industries.

THE coal strike gave the FPC some opportunity for driving down early stakes in this field since it provided a sort of preview of what the electric and coal-burning gas utility industries would have to submit to by way of control if the international storm should suddenly engulf the entire nation in a war crisis.

But whose crisis is this? The Tennessee Valley Authority was evidently overlooking no bets from a publicity angle when Gordon Clapp, TVA chairman, was called in to discuss the nation's defense organization needs with President Truman on March 31st. Clapp was but one of several advisers called to the White House at that time. There was Dr. Edwin G. Nourse, chairman of the Council of Economic Advisers, whose subsequent report revealed that some three to four billion dollars will be needed for a defense program, including selective price and allocation controls.

There was also Arthur M. Hill, chairman of the National Security Resources Board, a permanent civilian defense planning agency, which already has moved to augment its place in any wartime utility control picture by calling to service Edward Falck, Washington engineering consultant, who was the wartime head of the WPB Office of War Utilities, succeeding Krug himself to that post. Chairman Hill also called back to service another of the former WPB utility control administrators, Leighton H. Peebles, chairman of the WPB Communications Division. (See page 579.)

The Hill group evidently visualizes

the possibilities that its present advisory and blueprinting status, as NSRB, may eventually develop into a sort of WPB, just as the old OPM went through a similar stage of metamorphosis.

What President Truman asked Gordon Clapp to do was to make a survey of extra electric power facilities necessary to meet defense needs in the Tennessee valley. Actually, this looks like something that TVA ordinarily would do without being told, just as any other electric power agency, public or private. But the story of TVA's part in the defense program which appeared in the press would give the hasty reader the impression that TVA had been called upon almost to take over the national power planning for defense needs.

Dr. Nourse did say that the President was very much concerned with additional electric power needs, and that the chief executive wanted the problem viewed in the perspective of all interested Federal agencies. Bernard M. Baruch, who presented a blueprint for all-out mobilization to Congress on March 29th, was presumed to have talked on the same subject with President Truman. But all he said to reporters was, "I don't want to make any comment, but the cold war is becoming warm, isn't it?"

TVA on the Griddle

OF course it could have been simply a coincidence that the White House source for the recent publicity on TVA's importance in the defense setup developed at the time when TVA was having a double ordeal on Capitol Hill. First of all, there were the hearings on the McKellar Bill (S 1277) before a Senate subcommittee on Public Works, headed by Senator Malone (Republican, Nevada). There were also the hearings before the House Appropriations subcommittee on Government Corporations dealing with TVA funds for a proposed 120,000-kilowatt steam generating plant, to be installed at New Johnsonville, Tennessee.

Over the short range, the New Johnsonville program seems to be in more jeopardy at the hands of the House appropriators. This was the first time (with the exception of a steam plant authorized by the War Production Board in 1940) that the TVA has come right out and asked for funds to build a steam plant for power generation only—throwing aside all protective coloration of flood control, navigation, etc.—the "constitutional pegs," as the late Senator Norris used to call them, which have held up remarkably well in legally sustaining TVA's public power operations.

About the only "constitutional peg" which might still work well to support this clear-cut bid of TVA to go into the power business, as such, without benefit of double talk about flood control, etc., would be to smoke up the talk about sudden need of power for purely national defense purposes, with mysterious overtones concerning the secret production work on atom bombs at Oak Ridge, Tennessee, and elsewhere. And while it might be something in the nature of *lese majesté* to suggest that the White House lent itself as a sounding board for what might boil down to a propaganda bid for TVA appropriations, there are tough-minded Congressmen who are saying just that, and not too gently either.

TVA witnesses, who sought to justify before the House subcommittee the $400,000,000 to meet what is described as a "critical period" of demand by 1950, did a good job on the record. As Jennings Perry, daily columnist in the tottering New York *PM* of April 2nd pointed out, the gist of the testimony "is that TVA is still doing all right." But the day has passed when critical congressional questions about TVA finances could be stopped cold by Representative Rankin's (Democrat, Mississippi) arithmetic about how much money the electric consumers in any given congressional district would save if TVA rates had obtained there. The cynical idea that no rate is cheap if it has to be subsidized by taxpayers, in other localities besides the Tennessee valley, is finding more and

more expression in the congressional committee rooms.

Such sentiment is beginning to come from back home as well. For example, the chamber of commerce of Salt Lake city recently addressed a resolution to the Utah delegation in Congress protesting what it called the luring of industry into the Tennessee valley by cheap TVA power rates subsidized by general taxpayers. The resolution urged that TVA be required to pay interest on money, full taxes, and submit to congressional control.

Utility company testimony likewise conceded the cheapness of TVA rates, especially to industrial consumers (3.17 mills per kilowatt, which is lower than the rates charged to municipalities, coöperatives, and private utilities). But it was pointed out while such rates had attracted much industry to the valley, that very consequence had resulted in the shortage of electric power to meet such demand—the shortage which TVA now wants to handle by the establishment of a strictly fuel generating plant at New Johnsonville.

Over on the Senate side, Chairman Malone seems to be seeking a compromise between TVA's broad financial freedom and the recurrent demand for closer responsibility to Congress on behalf of the taxpayer. Sponsors of the McKellar Bill have been asked by Senator Malone how they can reconcile TVA's free financial rein, low rates, and the absence of congressional control over TVA policy with the government's need for reimbursement of funds invested in TVA power features by the Federal government.

THERE was considerable speculation over the meaning of Senator Malone's comment that he would like to "get the government out of TVA." The question has been raised as to what would become of the equity ownership in TVA if, as, and when a schedule of payments were arranged which would reimburse the Federal Treasury for its investment in TVA power facilities. Assuming title would remain in the TVA, which is a government corporation, it would still be held by the Federal government. Perhaps the people of Tennessee and surrounding states, who would actually have to pay back, through their electric rates, the funds to amortize the Federal investment, desire some sort of interstate compact agency, similar to the Port Authority of New York, to take over.

But right now, the day when Federal investment in TVA will be liquidated (questions of lost taxes and interest to one side) seems so remote that discussion along this line sounds more pleasantly academic than practical. It is a sure way to get a laugh from House Appropriations committeemen who have been shoveling out the money year after year, and have seen very little of it actually get back into the Federal Treasury.

Just the same, the chances of Senator McKellar's bill in its original form are not too bright. During the present politically sensitive congressional session, they are almost extinct. TVA friends picture the authority's present "flexibility" as its chief asset and claim any control would "hamstring" its program. Clyde T. Ellis, head of the National Rural Electric Coöperative Association, testified along this line.

All of those opposed to the suggestion that TVA ought to come to Congress for appropriations claim that in such event many TVA plans (such as the new Chattanooga substation) would fail. But critical fermentation is obviously at work, even in the Senate. Over the long range —perhaps next session—Senator Malone's mild ideas of reforming TVA administrative controls may bear fruit. Even such a good Democrat as Senator McClellan (Democrat, Arkansas) pointed out that the appropriation powers of Congress are now delegated to a board of three nonelected officials, who take Federal money and use it as they see fit.

Will Gas and Politics Mix?

MAYBE one way for an industrially as well as politically important state

as Michigan to get relief from a difficult natural gas shortage is to get one of its own men on the Federal Power Commission.

Governor Sigler, Republican executive of Michigan, seems to think it is worth trying anyhow. In a telegram to President Truman, the Michigan governor urged the appointment of a Michigan man as the fifth FPC member to resolve the present 2-to-2 split on natural gas problems.

Just by way of making his suggestion more inviting, Governor Sigler offered the President his choice of either a Republican or a Democrat. Schuyler L. Marshall, Republican member of the Michigan Public Service Commission, and John W. Kushing, a Democrat who is chief engineer of the same board, were the alternatives recommended to the White House.

"Michigan is facing a critical gas shortage because of the lack of definite decision in the FPC due to what I understand to be an even division among the members of the commission." Governor Sigler said in his wire to the President. "Industrialists advise me that if decision can be made shortly upon filling the vacancy now existing on the commission, threatened shortages will be greatly alleviated. Michigan has a great stake in this problem."

Sigler said he would be reluctant for the state to lose Marshall's services, but "if it would solve the problem I would like to see him on the FPC."

The governor said he had discussed the matter with Prentiss M. Brown, former Democratic United States Senator and now chairman of the board of the Detroit Edison Company, and "he believes as I do."

Meanwhile, officials of the Michigan Consolidated Gas Company, which serves Detroit, and Consumers Power Company, which serves a great many outstate communities, drafted a tentative agreement whereby available natural gas not needed in Detroit from now until June 1st would be stored by the Michigan Gas Storage Company, for use by Consumers Power.

MICHIGAN PUBLIC SERVICE COMMISSION officials, the gas distributing companies, and Consumers were scheduled to participate in an FPC review of all Panhandle operations at Washington beginning April 7th.

These Panhandle Eastern hearings starting April 7th were shaping up to a real investigation into the supplies of natural gas likely to be available to many consumers in the Middle West when the heating season starts next fall. The hearings were slated to deal particularly with gas supplies available for underground storage in Michigan, Illinois, Kentucky, Ohio, and possibly in Canada. The hearings also were designed to go into the question of demands on the Panhandle Eastern system by Michigan Consolidated Gas Company for industrial uses at Detroit, as well as Texas Eastern Transmission Corporation of Houston and East Ohio Gas, Cleveland.

The commission ordered the investigation because of indications, it said, that Panhandle's system may be unable to meet the requirements of direct customers and of distributing utilities. Evidence at the hearing also would concern: (1) The necessity for the continued delivery of gas to Panhandle after April 30th by Texas Eastern; (2) a rate schedule, now under suspension, filed by Panhandle to provide for a substantial increase in rates and additional deliveries of gas to the East Ohio Company.

Petitions from several Michigan cities, including Grand Rapids and Muskegon, for an order requiring Panhandle to deliver enough gas to Michigan Consolidated at Detroit for storage in the Austin field, also were filed.

The commission ordered each of Panhandle's 53 customers who purchase gas for resale to provide detailed information on requirements and underground storage areas.

What makes the Detroit situation so ticklish from the political point of view of both major parties, is the possibility that a requirement for summer storage of gas might result in restrictions on industrial uses, resulting in unemployment in Michigan this summer.



Exchange Calls And Gossip

AT&T License Fee in Georgia Supreme Court

THE right of an operating company of the Bell system to include in its costs for rate-making purposes the license fee paid to the American Telephone and Telegraph Company was the subject of an appeal prepared for submission to the Georgia Supreme Court.

The value of such a license recently was recognized by a 3-judge trial court of the Fulton County Superior Court when it boosted a temporary rate increase requested in that state by Southern Bell Telephone & Telegraph Company. That court reinstated the full $361,000, representing the annual cost to Southern Bell, in Georgia, for services of the parent company under its so-called license contract. In doing so it said that the evidence "tends to show without contradiction that the license contract is of substantial benefit to the company."

Previously the Georgia Public Service Commission had disallowed this fee as a cost in arriving at a new rate schedule. At that time, the commission allowed only $1,412,473 of the $4,064,000 originally sought by the company.

Now the commission, in preparing the appeal to the state supreme court, claims that the lower court erred in attempting to fix telephone rates within the state when it specified the amount to be allowed. This function belongs entirely to the commission, it claims. The attorney general asserted that the appeal would halt proceedings in the lower court, and that the tribunal would be asked to stay the advance it granted pending a decision from the state supreme court.

In Alabama the rate case of the Southern Bell Telephone & Telegraph Company goes to court as the result of a notice served by the company. This is the sixth state where a Bell system rate increase case has been taken to court. The company previously had requested a boost of $2,530,000 annually, but the Alabama Public Service Commission granted only $360,000. Now the company has appealed the decision to the circuit court of Montgomery county.

SOME telephone companies are obtaining rate increases without having to take their cases to court. The Virginia State Corporation Commission has allowed an increase which will produce $1,440,000 in additional annual revenue for the Chesapeake & Potomac Telephone Company, of Virginia. In general, the advance as it affects residential users will boost the monthly bill about 25 cents; 50 cents for commercial subscribers. This is the second increase granted since January, 1947, when $1,500,000 was authorized. Also, the Rochester Telephone Corporation has rather definite hope of receiving a 12 per cent hike from the New York Public Service Commission. The company had asked more to cover proposed new construction, but a recommendation of one of the commissioners suggests that the 12 per cent increase be granted prior to fixing final rates. It is admitted that the company needs relief, and indications are that the commission will allow the 12 per cent rise if the company files a new rate schedule.

The New England Telephone & Telegraph Company has been granted a rate increase on its operations in Rhode Island by the state public utilities administrator. However, the advance allowed was less

than half the amount requested, $1,200,000 as compared with $2,700,000. The rise granted amounted to an increase of 10.25 per cent on average rates.

Communications Near War Basis

GENERAL feeling in Washington, particularly in military circles, is that the country's telephone and telegraph facilities are adequate to handle any near-term stepping up of the armed forces and expansion in defense activities. Naturally, some changes and shift in facilities would be required, but it is thought that the electrical manufacturers and installation personnel are set to do what is necessary when and if the occasion demands. The National Security Resources Board has selected as head of its communication division Leighton H. Peebles, who was former communications division chief of the War Production Board. Next step will involve finding qualified assistants for Mr. Peebles.

Telephone Rates for Television

BELL system has announced its proposed rates for television network facilities, effective May 1st. A television channel between two cities would cost the television broadcaster $35 a month per air-line mile for eight consecutive hours each day and $2 a month per mile for each additional consecutive hour. Part-time or occasional service would cost about half. There is also a charge for terminal equipment, about $500.

Who Bosses Western Union?

WESTERN UNION TELEGRAPH COMPANY would like to know whether it should bow to the Georgia Public Service Commission or to the Federal Communications Commission, or whether possibly it should attempt subservience to both simultaneously. In order to determine its status the company has asked a 3-judge Federal court in northern Georgia to prevent the state of Georgia from recovering penalties under state law because Western Union made changes in service without authority of the state commission.

This new conflict between Federal and state regulation resulted from a fine levied on the company in one county. The present legal action requests a restraining order against a similar penalty in another county. Western Union contends that the regulations of the FCC and the Georgia Public Service Commission are in such conflict that it cannot make certain changes in its facilities without fear of punishment. The company claims that FCC is the controlling agency with respect to curtailment of telegraph service and even respecting intrastate service. Section 214 of the Federal Communications Act of 1934 is given as the basis of the claim. The National Association of Railroad and Utilities Commissioners has entered the case in support of the state commission.

Regulation of Recording Devices

THERE may be some changes made in the Federal Communications Commission's order of November 26, 1947, setting up rules for the use of recording devices in connection with telephone service. This refers to the device which puts the telephone user on notice (with a certain tone interruption) that his conversation is being recorded. The Bell system has requested some changes in the order and other interests desire to be heard on the questions involved. Formal and informal exchanges of views are in progress. Before final decision is made, careful consideration will be given to the following questions:

1. Whether the telephone companies shall have the sole responsibility for furnishing, installing, and maintaining of the automatic tone warning device.
2. The reasonableness of the estimated costs and proposed charges of the Bell system companies for recorder-connector equipment.
3. The reasonableness of the arrangements proposed by the Bell

system for permitting sales demonstration of recording devices by the recorder organizations.

The Bell system proposes an initial charge of $5 and a monthly rate of $3 for the recorder-connector unit in which protective and tone warning features are combined.

The sales demonstration question relates primarily to the amounts to be charged for demonstration equipment and its temporary installation.

Two-way Radios Making Rapid Progress

DEVELOPMENTS in walkie-talkies and other mobile 2-way radio systems are occurring rapidly and uses are spreading widely.

A new lightweight wrist-watch broadcasting set weighing three ounces was demonstrated at the recent convention of the Institute of Radio Engineers held in New York city. It works in conjunction with a receiving set weighing a half-pound complete with antenna, loudspeaker, and batteries. The sets are so simple that they can be made at home. Necessary parts for the transmitter would cost about $6, and the receiver would cost about $20 to assemble. Since the range is limited to only a few hundred feet, the practical use of the combination at this time is not great. One use mentioned is in connection with taking inventories in buildings where shelves are high and where stock is relatively inaccessible. The persons taking stock could carry the light broadcasting set and call the items from near or far and have the receiver attached to a dictaphone which would record the items called. However, a license is required from the Federal Communications Commission to use the broadcasting set.

Wayne Coy, chairman of the FCC, has announced that a larger 2-way radio is ready for public use. This set has a longer range than the wrist-watch set mentioned above.

Every week brings news of varied uses of mobile radios. For example, Ringling Brothers, Barnum & Bailey Circus has received an FCC permit to use radio in its loading and unloading operations. The "big show" will have 15 portable 2-way radio units to coördinate the movement of automobiles and wagons between railroad sidings and the show grounds. In Chicago, the director of Catholic cemeteries has asked FCC permission to install a 2-way radio system to aid in the handling of funerals. Extensive use of mobile radios is being made by the British in guarding the new oil pipe line being built to carry oil from Iraq to Haifa. Elaborate equipment for the line is being constructed by the British General Electric Company. After the pipe line is finished, some of the equipment will be used to insure constant operation of the line.

THE Salt Lake Pipe Line Company has been granted permission to construct a petroleum pipe-line radio system to furnish communication service over the company's 200-mile pipe line from Rangely, Colorado, to Salt Lake City, Utah. The system will consist of 4 land stations, 1 experimental repeater station, and 15 mobile and portable units.

All of this activity in mobile radio naturally produces conflicts and competition as to who should be granted the use of certain radio frequency channels. For instance, the American Taxicab Association has requested that the FCC do not assign any frequencies in the 152-162-megacycle band to the American Telephone and Telegraph Company until the antitrust division of the Justice Department has expressed itself on the matter. Apparently the commission does not wish to have the Attorney General actively in the picture until certain definite policies have been determined by the commission. FCC has advised AT&T Company that first it desires to decide the following: (1) the services which will finally be established in the field; (2) the number of frequencies which can be allocated to each; and (3) the commission's general policies, rules, and regulations.

Financial News



and Comment

By OWEN ELY

The Engineers Public Service Decision

ONE of the difficult and perplexing issues perenially before the SEC is the question whether, in retiring senior securities of holding companies, the call premiums should be paid. In cases where dividend arrears exist this issue may become subordinate to the broader question as to whether holding company preferred stocks should receive full claims for face or par value and dividend arrears.

In the past year or so the commission seems to have adopted the "investment value" theory in appraising the claims of holding company priorities, but the attitude of the courts with regard to this theory has not yet been fully clarified. The SEC has developed a practical application of the investment value theory whereby, if the holder of a senior issue receives in dissolution (under application of the Holding Company Act) a bundle of new securities of the operating companies which will afford him the *same income as received on the preferred stock, with adequate earnings coverage,* this package is considered to satisfy the requirements of the act with respect to the face value of the issue to be retired. Where there are dividend arrears, the procedure is not so clear-cut and the additional compensation to be received would depend somewhat on the market record and standing of the preferred stock, the historical background of earnings, the projected future earning power of the package, etc.

WHILE the investment value theory is convenient in that it permits the commission to disregard current market values in considering whether investors' claims will be satisfied by a "package" of securities, there are some instances where payment could obviously be made in cash or where the commission preferred to have payment made in cash rather than in securities. In these cases it might be difficult to determine the investment value with such nicety as to decide whether preferred stockholders were entitled to the call premium as well as the face value. In several cases of this kind the SEC, apparently wishing to expedite the actual progress of holding company dissolution, ordered the amount of the claims (face value* or face value plus arrears) to be paid in cash, leaving for the future a further examination of the claim for the call premium. In some cases an escrow fund is set up to cover the call premium (with incidental expenses and interest), as with Engineers Public Service and American Water Works.

The Engineers Public Service Case has been regarded as a test case in the matter of call premiums and has now developed into a medium for the discussion of "investment value." The commission ordered the redemption premiums paid, but Judge Leahy in the Delaware District

*The phrase "face value" is here substituted for par value because in a few cases such as United Corporation preference stock par value may be fixed at a very low amount in relation to face value or call price. Usually, however, face value and par value are synonymous.

Court disagreed and ordered the additional payment canceled. The SEC thereupon appealed the case to the Third U. S. Circuit Court of Appeals, which recently rendered its decision. It upheld Judge Leahy, but criticized the procedure of both the SEC and the lower court and threw the whole problem back into the hands of the commission.

IN the discussion of redemption premiums there has been considerable debate in the past as to whether the dissolution of the holding company should be considered voluntary or involuntary. If the company's charter or by-law provisions should function normally, the premiums are usually paid where the dissolution is voluntary but are denied where it is involuntary. However, the word "involuntary" usually suggests bankruptcy, which is seldom a factor in holding company dissolutions. There has been some nice legal discussion as to whether the application of the Holding Company Act is also "involuntary," with various interpretations in different cases. (Where the holding company is to continue in existence, as with the United Corporation, there is another complication.) In the present case the question as to whether the dissolution was voluntary or involuntary is submerged in the broader discussion of the philosophy and method of valuing senior securities.

The SEC asserted that it arrived at the amount to be paid in cash for the preferred stocks by the application of the doctrine of equitable equivalents as enunciated by the Supreme Court in Otis & Co. *v.* Securities and Exchange Commission (United Light & Power Co.), 323 US 624, and it has measured the rights to be surrendered in terms of investment value. The commission relied in large part on the testimony of Dr. R. A. Badger, an expert who made various comparisons with other holding company issues. Arriving at his "investment values," Dr. Badger also commented on the "possible permanency of the (general) interest rate" and based his conclusions largely on this factor. He concluded that the stocks were worth at least the amounts of the call prices. President Barnes testified that the United States was in a "boom period," and in general sustained Dr. Badger, although his attitude was a more cautious one.

HOWEVER, the U. S. Circuit Court of Appeals held each of the witnesses was "testifying as to the values as of May, 1946, *ex* the act." It also pointed out that the district judge admitted that the preferreds had benefited by the retained earnings over a period of years not paid as dividends to the common stockholders. "The court also concluded that the issuing prices and market histories of the preferreds looked toward nonpayment of any premium, that none of the series of preferreds was initially sold to the public at prices in excess of $100 per share, and that in order to sell the preferreds even at these prices it was deemed necessary to attach a convertible feature to the $5 series and warrants to the $5.50 series; that there was 'no showing' that Engineers in fact received the amounts which the public paid for the various issues; that underwriting fees and underwriting spreads in vogue at the time were large."

In a long discussion of the respective powers of the SEC and the Federal courts, the U. S. Circuit Court of Appeals rejected the view that, in effect, the Federal court should merely rubber stamp the decisions of the commission. Detailed reference was made to the congressional debates at the time the Holding Company Act was passed, indicating that the courts were expected to function independently of the SEC. The court evidently felt that the district court had not considered the case along broad enough lines.

Referring to the decision of the lower court, the court stated:

> The district judge attached substantial weight to elements or factors which the commission apparently did not deem to be of importance. For example, he laid emphasis on the market and dividend histories of all the securities and the losses which were indubitably occasioned to the holding company enterprise by the sale of securities from Engineers' portfolio because of the divestitures

required by the act. . . . The reasoning which moved the commission is not as plain as it might be. But we think it is clear that it did not give any substantial consideration to the future earning power of Engineers and its subsidiaries which the Supreme Court has held is one of the fundamental tests for reorganization valuation. . . . What the commission has done is to consider the investment values of the preferreds *ex* the Public Utility Holding Company Act; *i.e.*, as if the act had never been passed. But it considered only the preferreds on this basis. It seems to have omitted consideration of the common by a similar standard. It made no finding as to the "value" of the common stock.

THE court pointed out the important difference between the Engineers and United Light & Power cases in that in the latter case there was a continuation of the enterprise through the subholding company, United Light & Railways. In the case of Engineers there were substantial losses resulting from the divestitures under the act, such as separation of Puget Sound Power & Light (Engineers receiving only 3 per cent new common in exchange for 99.3 per cent of the old). This allocation was based on an estimate of future earning power of Puget Sound which proved far too low. Engineers also lost "a profit of at least $4,000,000" in disposing of its interest in El Paso Natural Gas. While not criticizing the SEC for these earlier decisions or orders, the court nevertheless felt that such losses "must be weighed into the calculation; *i.e.*, such losses should be returned to the credit side of the enterprise's balance sheet as a matter of bookkeeping."

The fact that the preferred stocks were being paid off in cash rather than in a package of securities should not affect the methods of appraisal, the court felt. "In our opinion the commission in attempting to apply the 'investment value' test to the Engineers' preferreds, even to the limited extent hereinbefore indicated, has misunderstood the principle of 'equitable equivalents' enunciated by the Supreme Court in the Otis & Co. Case. We can perceive no reason why the doctrine of equitable equivalents cannot include within its ambit cash for securities as well as securities for securities . . . The difficulty in sustaining the commission's position in respect to 'investment value,' even in so far as the commission has applied that value, lies in the fact that investment value is and can be only *one* of a series of factors to be used in arriving at equitable equivalents . . . All pertinent factors and all substantial equities must be considered by the commission whether equitable equivalents are to be reached by the approach *ex* the act or the approach *intra* the act. The new doctrine of investment value presently urged by the commission may not be substituted for the doctrine of equitable equivalents enunciated in the Otis & Co. decision."

HAVING completed its critique of the SEC decision, the court of appeals pointed out very briefly a procedural error of the district court. The U. S. District Court, it declared, may approve or reject a plan but it cannot amend it (by its own order). The proper procedure in a case where the district court disagrees with the SEC is to "remand" the case, with directions, for further action by the SEC. Such was ordered to be done in the Engineers Case. Unless the U. S. Supreme Court (on further appeal) should decide differently, the SEC will now reinvestigate the "equitable equivalents" of both the preferred and common stocks. The court admitted that as a practical matter (since $100 a share already has been distributed to the preferred stock) "the escrow agreement accordingly delimits the area in which the plan to be approved by the commission and district court must fall."

It appears, however, that the U. S. Circuit Court was attempting to instruct the SEC in its duties hereafter (based on the Supreme Court decision in the Otis Case) rather than to throw open any retroactive basis for paying off the preferred stocks in other cases. Obviously if the common stockholders have not fared so well under previous acts of the commission in ordering disposal of Puget Sound and El Paso, there is little redress for stockholders now except to the limited extent provided by the escrow fund. It appears both probable and de-

sirable that the case will be carried to the Supreme Court so that the commission will have the highest judicial guidance in resolving the various cases which involve the retirement of senior holding company securities.

Tax Rates Versus Stock Financing

THE greatest period of growth the utilities have known was 1926-30, and a substantial part of the new money raised during that period was obtained through stock financing. This reached a climax in 1928, when over one and one-quarter billions of dollars were raised by all utilities through stock sales. During the period 1925-31 Federal normal income tax rates ranged between 1½ and 5 per cent and the highest surtax rate was 20 per cent. The Federal budget during this period ran between $3.5-$5 billions as contrasted with the present level around $35-$40 billions. Obviously, in 1925-30 many businessmen and capitalists could devote a substantial part of their income to new stock investments.

At present we have a highly inflated Federal tax system. The highest combined normal and surtax rate in 1947 was 86½ per cent on earnings of over $200,000—plus state income taxes. Obviously, the difference between a maximum rate of 25 per cent and one of 86 per cent explains the lack of individual savings available for investment in new stock issues.

Double taxation syphons off much of the dividends paid out by utility companies. In 1932 the electric utilities paid out an estimated $345,000,000 in common stock dividends, or nearly five mills for each kilowatt-hour sold. In 1947 estimated dividends were $385,000,000 or less than two mills per kilowatt hour, and Federal taxes canceled nearly half of these dividends (after taking 38 per cent of utility income available for dividends). It is obvious that the so-called "capitalistic system" of private ownership isn't really functioning under present conditions. The new tax law, just passed over the President's veto, is a step in the right direction—but only the first step.

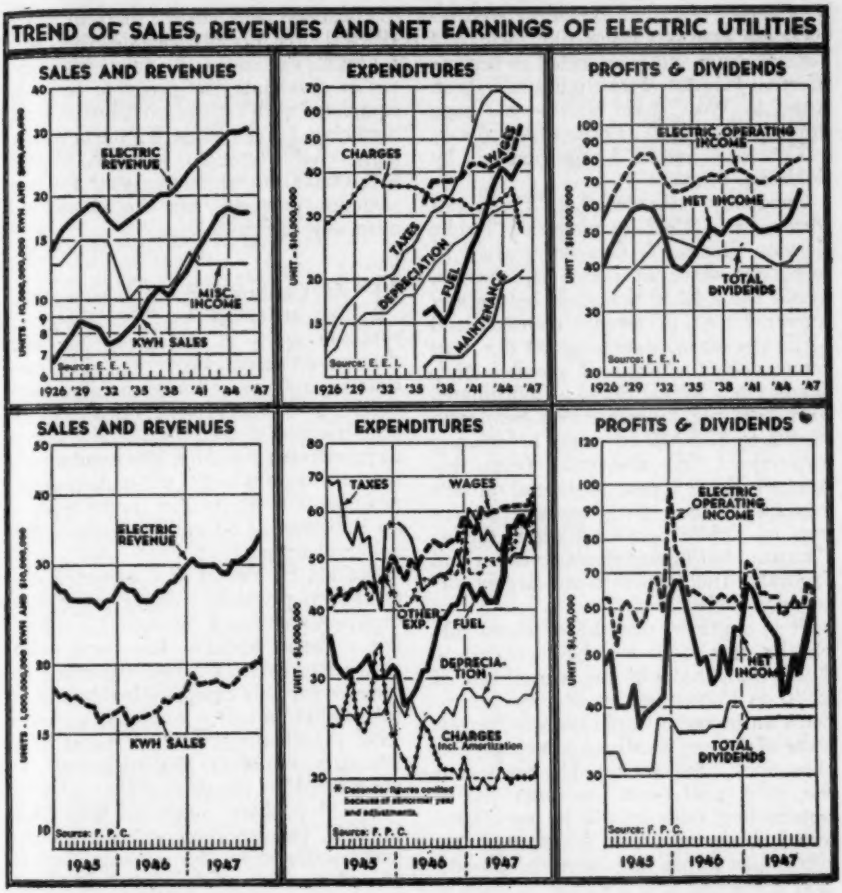
Natural Gas Industry Makes Excellent 1947 Showing

CLASS A and B natural gas companies (according to figures compiled by the Federal Power Commission) had total 1947 revenues of $663,377,805, a gain of 16.1 per cent over 1946; the amount is about one-fifth the revenues for electric utilities. Salaries and wages increased 19.3 per cent for the year, purchased gas 20.2 per cent, and miscellaneous expenses 10.7 per cent. Depreciation and amortization increased only 4.9 per cent but exploration and development costs gained 10.7 per cent. Taxes were 16.2 per cent larger. The industry was able to hold fixed charges to a figure slightly below the previous year, just as the electric industry was able to do, but tax policies probably had something to do with the comparison in each case. Net income for the year gained 15.2 per cent as contrasted with 2.2 per cent for the electric utilities.

No compilations are yet available for other branches of the utility industry. However, judging from the reports of individual companies it seems probable that manufactured gas, telephone and telegraph, and transit companies made an unfavorable showing — particularly the latter. Numerous rate increases are being granted to these utilities so that 1948 may make a somewhat better showing. However, the manufactured gas companies in some cases receive only "emergency" increases which generally prove inadequate and usually expire in a year's time. Broader use of fuel adjustment clauses by this industry appears essential to stabilize income.

Wall Street Views

SHEARSON, HAMMILL & COMPANY has prepared a 6-page analysis of Chicago Corporation. This company,



formerly organized as an investment trust and still maintaining a portfolio of marketable securities, has in recent years acquired large natural gas and oil interests which now overshadow the investment trust feature. Oil and gas constituted 42 per cent of net assets on June 30, 1947, but Shearson, Hammill estimates that they are worth well in excess of the published values and that they actually comprise about 90 per cent of the total. In the opinion of the Wall Street firm the oil and gas properties may currently be worth about $100,000,000.

In the six months ended June 30, 1947, about three-quarters of net income came from oil and gas operations. Chicago Corporation was the principal organizer of Tennessee Gas Transmission and realized a profit of $3,800,000 when it sold the company. Other important interests of Chicago Corporation are its investment in American Buslines (operating a transcontinental bus system), American Furniture Mart building in Chicago, Pacific Far East Line (a steamship line), and Loffland Bros., a service organization in the oil and gas business.

Considerable interest has been aroused recently in Public Service Corporation of

New Jersey now that the merger-recapitalization plan has been confirmed by a Federal court and is expected to become effective July 1st. Two studies have been issued by Wall Street houses—a 7-page story by Theron W. Locke of Goodbody & Company and a 3-page analysis by Goldman, Sachs.

Goodbody estimates that "On a *pro forma* basis 1947 earnings of Public Service Electric & Gas only, after 10 cents per share of plant adjustments, would equal $2.30 per share before any conversion of preference common and $2.10 per share assuming 20 per cent conversion. Inclusion of possible dividends from Public Service Coördinated Transport might increase 1947 *pro forma* results to $2.50-$2.60 range before any conversions, but dividends from this source in 1948 appear to depend on fare increases. Rising costs may affect earnings of Public Service Electric & Gas Company but higher gross revenues and favorable fuel clauses could largely offset such higher costs."

It is expected that the dividend rate on the new stock will be increased to $1.60, compared with the current rate of $1.40 on Public Service of New Jersey. Such an increase would help to convert some of the new $1.40 convertible preference stock into common. The amount of the new preference common to be outstanding initially will be very large and it is thought that the management would like to have a substantial proportion converted into common as soon as possible, thus reducing the "senior" charges for interest and preferred dividends. Expert testimony at the time of the SEC hearings on the plan indicated that about 15-20 per cent might be converted in the first year and a total of 6 per cent in the first three years (after which the conversion ratio declines). At the conversion rate of 1.1 shares and assuming a new dividend rate on the common stock of $1.60, the holder of 1 share of preference common could raise his income from $1.40 to $1.76 by converting.

Analyzing the company's $122,000,000 construction program for the four years, 1948-51, Mr. Locke concludes that, with favorable earnings and a fairly high payout in dividends, the program could be completed with little or no common stock financing. He estimates that the new company might have to sell $35,000,000-$40,000,000 of bonds this year for construction purposes, but this should not raise any difficulties.

THE Goldman, Sachs memo stated that in its opinion "the substantial common equity in assets, together with the over-all earnings coverage of 1.89 for charges and preference common dividends, gives the $1.40 dividend preference common stock a considerable degree of investment standing. The regular common also shares in the substantial equity position as to assets and, on the basis of an indicated $1.60 dividend rate, offers a liberal return."

Harold H. Young of Eastman, Dillon & Co. has prepared a 5-page memorandum on Columbus & Southern Ohio Electric. There perhaps has been some skepticism in Wall Street regarding the outlook for this company because of its substantial transit operations, which in 1947 supplied nearly one-fifth of gross revenues. However, this apparently did not affect 1947 earnings which amounted to $4.44 a share compared with $4.34 in 1946 (transport revenues showed a fair-sized gain). The company has resumed its modernizing program (interrupted by the war) and substitution of trolley coaches and motorbuses for trolley cars should be completed by the end of 1948.

Mr. Young points out that the company's rate contract with the city of Columbus runs to November 15, 1949, and those with other municipalities expire at various dates up to 1957. Substantially all rate contracts provide that electric service bills are subject to periodic adjustments when unit costs change as much as 5 per cent from that in the base year due to changes in fuel, taxes, or wages. This is one of the broadest forms of "adjustment clauses."

RECENT FINANCIAL DATA FOR PRINCIPAL ELECTRIC-GAS OPERATING COMPANY STOCKS

	Revenues $50,000,000 and over	*4/2/48 Price*	*Yield*	*Earned (12 mos.)*	*P-E Ratio*
B	Boston Edison ($2.40)	42	5.7%	$2.75-d	15.3
S	Commonwealth Edison ($1.40)	27	5.2	1.97-d	13.7
S	Consol. Edison of N. Y. ($1.60)	22	7.3	1.90-d	11.6
C	Consol. Gas of Balt. ($3.60)	65	5.6	4.92-d	13.2
S	Consumers Power ($2)	34	5.9	2.80-f	12.1
S	Detroit Edison ($1.20)	20	6.0	1.56-f	12.8
C	Duke Power ($4)	75	5.3	6.29-d	11.9
S	Pacific G. & E. ($2)	32	6.3	2.45-d	13.1
S	Penn. Power & Light ($1.20)	19	6.3	2.03-f	9.4
S	Phila. Electric ($1.20)	23	5.2	1.71-d	13.5
S	So. Calif. Edison ($1.50)	27	5.6	1.95-d	13.8
	Averages		5.9%		12.8
	Revenues $10-$50,000,000				
O	Atlantic City Elec. ($1.20)	17	7.1%	$1.39-j	12.3
S	Birmingham Elec. ($1.20)	13	9.2	1.07-j	12.1
S	Carolina P. & L. ($2)	31	6.5	2.95-f	10.5
S	Central Hudson G. & E. (52¢)	8	6.5	.55-d	14.6
O	Central Illinois P. S. ($1)	13	7.7	1.68-d	7.7
O	Central Maine Power ($1.20)	18	6.7	1.13-f	15.9
S	Cincinnati G. & E. ($1.40)	25	5.6	1.81-d	13.8
S	Cleveland Elec. Illum. ($2.20)	39	5.6	2.80-d	13.9
S	Columbus & S. Ohio Elec. ($2.80)	40	7.0	4.44-d	9.0
O	Connecticut L. & P. ($4)	54	7.4	3.37-f	16.0
S	Dayton P. & L. ($1.80)	29	6.2	2.69-d	10.8
O	Delaware P. & L. ($1)	17	5.9	1.60-d	10.6
S	Florida Power Corp. ($1)	14	7.1	1.46-d	9.6
S	Gulf States Util. ($1)	16	6.3	1.75-d	9.1
C	Hartford Elec. Light ($2.85)	51	5.6	2.90-d	17.6
S	Houston Lighting ($2)	41	4.9	2.75-n	14.9
C	Illinois Power ($2)	28	7.1	3.67-d	7.6
S	Indianapolis P. & L. ($1.50)	22	6.8	3.54-s	6.2
O	Minnesota P. & L. ($2.20)	27	8.1	3.40-d	7.9
O	No. Indiana P. S. ($1.20)	16	7.5	2.04-d	7.8
S	Ohio Edison ($2)	34	5.9	3.16-f	10.7
S	Potomac Elec. Power (90¢)	13	6.9	.99-d	13.1
S	Pub. Ser. of Colo. ($2.20)	37	5.9	4.53-d	8.2
O	Pub. Ser. of Indiana (Stock)	40	7.5	4.85-j	8.2
O	Public Service of N. H. ($1.80)	25	7.2	1.88-f	13.3
O	Puget Sound P. & L. (80¢)	11	7.3	2.03-d	5.4
O	San Diego G. & E. (80¢)	14	5.7	.81-d	17.3
O	Southwestern Pub. Ser. ($1.80)	26	7.0	2.44-j	10.7
C	Utah Power & Light ($1.40)	20	7.0	2.44-d	8.2
S	Virginia Elec. Power ($1.20)	18	6.7	1.80-j	10.0
S	Wisconsin Elec. Power ($1)	17	5.9	1.73-d	9.8
O	Wisconsin P. & L. ($1.12)	14	8.0	1.87-s	7.5
	Averages		6.7%		10.9
	Revenues under $10,000,000				
O	Calif. Elec. Pr. (60¢)	7	8.6%	$.77-d	9.1
O	Central Vermont Pub. Ser.	8	..	.46-n	17.4
O	El Paso Electric ($1.60)	24	6.7	2.56-n	9.4
S	Empire Dist. Elec. ($1.12)	14	8.0	1.62-n	8.6
C	Mountain States Power ($2.50)	29	8.6	4.09-n	7.1
C	Penn Water & Power ($4)	40	10.0	4.32-d	9.3
O	Sierra Pacific Power ($1.60)	22	7.3	2.09-j	10.5
C	Tampa Electric ($2)	31	6.5	2.26-j	13.7
	Averages		8.0%		10.6
	Averages, three groups		6.7%		11.3

RECENT FINANCIAL DATA FOR PRINCIPAL ELECTRIC-GAS HOLDING COMPANY STOCKS

	Integrated Holding Company Systems	*4/2/48 Price*	*Yield*	*Earned (12 Mos.)*	*P-E Ratio*
C	American Gas & Elec. ($1 and Stock) ...	34	6.9%	$4.18-j	8.1
C	Central & South West (70¢)	10	7.0	E-1.35-d	8.2
S	New England Elec. System ($1)	11	9.1	1.35-d	8.1
O	New England G. & E. (80¢)	11	7.3	1.27-d	8.7
S	West Penn Elec. ($1)	16	6.3	3.07-d	5.2
	Averages		7.3%		7.7
	Systems in Process of Integration				
	Common Stocks—Dividend Paying				
C	American L. & Tr. (Stock)	16	6.9%	$1.71-s	9.9
C	Cities Service ($2)	40	5.0	10.93-d	3.7
C	Electric Bond & Share (25¢)	11	2.3	..	..
S	General Pub. Util. (80¢)	13	6.2	2.01-d	6.5
S	North American (Cash and Stock)	16	..	1.91-d	8.4
C	Philadelphia Co. (60¢)	9	6.7	.55-s	16.4
S	Pub. Ser. of N. J. ($1.40)	23	6.1	1.87-d	12.3
S	United Gas Impr. ($1.30)	22	5.9	2.23-d	9.9
C	United Lt. & Rys. (Stock)	20	7.3	3.28-s	6.1
O	West Penn Power ($1.60)	27	5.9	2.26-d	11.9
	Averages		5.8%		9.5
	Common Stocks—Nondividend				
S	American P. & L.	8¼	..	$3.88-n	..
S	Commonwealth & Southern	2¾	..	.62-f	..
S	Electric P. & L.	18¼	..	4.29-n	..
S	Inter. Hydro-Elec. "A"	6	..	..	..
C	Long Island Lighting	¼	..	..	..
C	Middle West Corp.	9	..	..	..
O	New England Pub. Ser.	3	..	..	..
C	Niagara Hudson Power	8¼	..	1.25-d	..
C	North American L. & P.	7¼	..	..	..
S	United Corp.	2⅜	..	..	..
	Preferred Stocks—Dividend Paying	*Price*		*Yield*	*Approx. Arrears*
S	United Corp. $3 Pref.	44		6.8%	..
S	Philadelphia Co. $6 Pfd.	96		6.3	..
S	Amer. & For. Power $7 Pfd.	71		9.9	$74
S	Amer. P. & L. $6 Pfd.	92		6.5	44
S	Commonwealth & Southern $6 Pfd.	101		5.9	17
S	Electric P. & L. $7 Pfd.	152		4.6	90
C	Niagara Hudson Pr. 5% 1st Pfd.	98		5.1	..
O	Nr. States Pr. (Del.) 7% Pfd.	94		7.5	10
	Average			6.6%	
	Preferred Stocks—No Current Payments				
C	Electric P. & L. $7 2nd Pfd.	139		..	110
C	Int. Hydro-Elec. $3.50 Pfd.	52		..	47
O	New England P. S. $7 Plain Pfd.	97		..	112
S	Standard G. & E. $7 Prior Pref.	103		..	99
C	Standard P. & L. $7 Pfd.	105		..	99

B—Boston Exchange. C—Curb Exchange. O—Over-counter or out-of-town exchange. S—New York Stock Exchange. s—September. n—November. d—December. j—January. f—February. E—Estimated.



What Others Think



A Nation-wide Power Shortage?

THERE is considerable talk in some quarters about the possibility of a nation-wide power shortage. Within the past few months there have been published several articles in magazines with large circulation discussing the greatly expanding demand for power and the industry's ability to produce sufficient energy. For the most part, these articles tend to leave the reader with doubt in his mind. It is expected that more of the same type of pronouncements will reach the public this year. The subject could develop into an important political issue.

What are the facts? The industry knows what the situation is, but unfortunately the public may be told only the disconcerting facts. The industry itself was slightly uneasy as to how it would meet the seasonal peak demand occurring just before Christmas of last year. At that time the Federal Power Commission's chief of bureau of power said the situation was "critical but not alarming." There was some justified fear that there might be some possible breakdowns of war-worn equipment. However, it is now a matter of record that the greatest electric power demand in history was met by the industry that December.

An aggregate nation-wide demand of 49,500,000 kilowatts was carried at that time with a margin of reserve capacity of 5 per cent. True, the reserve was uncomfortably low. The 5 per cent reserve compared with a similar margin of 12 per cent in 1946 and 21 per cent in 1944. However, the rate of installed capacity already has overtaken the growth of power consumption and a reserve margin of 8 per cent was estimated as of the end of the year. The most recent figures published by FPC (March 4th) show that "the net installed capacity of generating plants in utility service totaled 52,319,714 kilowatts as of January 31st, a net increase of 108,226 kilowatts during the month."

AT present total electric power production is making new high records. This is true despite shortages in some sections where lack of water has reduced the output of hydroelectric plants where they are the major source of local power. This situation exists in most of the state of California where the situation is considered critical.

Over the country as a whole, the degree of the shortage in hydroelectric power is revealed by official figures from FPC:

> Water-power plants produced 6,443,980,000 kilowatt hours in January. This was substantially below the 7,136,120,000 kilowatt-hour production of last January. The water-power output as a proportion of the total dropped to 26.9 per cent compared with 33 per cent last January.

But when all sources of power are considered it was found that in January production of energy by electric utilities totaled 23,958,344,000 kilowatt hours, the highest monthly production of record. It exceeded last January's production by 10.7 per cent and it was greater by 1.9 per cent than the previous high of 23,511,913,000 kilowatt hours produced in December, 1947.

So much for the facts. Now let us look at one of the critical articles published currently. One appearing in the February 28th issue of *Collier's* is critical of both privately and publicly owned power utilities. It is entitled "Our Lights Are Going Out," and is written by A. G. Mezerik. The editors subhead his story with "The latest national headache is an electric power shortage." Also, the reader is informed that Mr. Mezerik is currently

writing a book on the river valleys of the world and their development. Of all of the utilities discussed in his *Collier's* article, the only one to receive a clean bill of health is the system operating in the Tennessee valley.

THE article is written in a dramatic popular vein. The scene opens in an unnamed hospital where in the operating room an appendectomy is halted under anesthesia for forty minutes when the lights go out. Pictured next in vivid color words are the power shortages in Maine and California which were caused by forest fires and drought. Many other examples are pointed out in different parts of the country. Emphasis is put on the expedients of many types used by utility companies and public agencies to obtain relief.

Mentioned are the use of power from boats, rain making for hydros, and small mobile power generators.

The writer names companies. These include Pacific Gas and Electric Company, Union Electric Company of St. Louis, Otter Tail Power Company in North Dakota, Georgia Power Company, Alabama Power Company, Idaho Power Company, and the Utah Power & Light Company.

Mr. Mezerik's words of commendation go primarily to TVA. He says:

> One exception is in the Tennessee valley, where publicly owned TVA is not only continuing to serve its huge industrial customers such as DuPont and Eastman but has, since the end of the war, doubled the number of its farm customers.
>
> Incidentally TVA, which is largely a water-power operation, owns a big steam plant near Wilson dam. That plant is operating at full capacity right now, and is selling every last spark of its output to its neighbor utilities, the Georgia Power Company and the Alabama Power Company. This has an ironical side because the Alabama Power Company is using the courts to fight the growth of farm coöperative electricity in its own state on the ground that it can readily take care of all the requirements. At the same time it is buying power from publicly owned TVA.

Considerable is made of the damage to radios and household motors by low voltage used to stretch limited power capacity. A fear sentence reads: "Burned-out radio condensers and bad reception are only a part of the consequences, for low voltage causes motors of vacuum cleaners and refrigerators to go up in smoke."

The Army Corps of Engineers and the Bureau of Reclamation are criticized for working "together to stop the creation of a Missouri Valley Authority, which like TVA would be under the control of neither, but their jealousy is more often directed against each other."

No mention is made of the great achievements of the industry during the war and in the years following. Ignored completely is the utility interests' often reiterated statement that the industry has a $5 billion construction program to be completed by the end of 1952.

MR. MEZERICK said the power shortage could become a "creeping epidemic." Incidentally, a "creeping epidemic" of articles of a similar nature is appearing in the country's press. Over the week end, of March 14th, the latter epidemic reached a "rash" stage in leading American Sunday newspapers. The Associated Press obtained from TVA officials what is known in the trade as a round-up story on the valley project. The agency distributed the story to its members who used it in numerous ways—big feature story with pictures, straight news article, and a "by-line" feature signed by an individual.

Coincidental or otherwise the timing of this widespread diffusion is interesting. On the next day, after the appearances of the story, a Senate subcommittee on Flood Control of the Senate Public Works Committee was scheduled to hold hearings on a Senate measure which proposes to limit the powers of the TVA Administrator. The bill is sponsored by Senator McKellar, Democrat from Tennessee, who is the Senate's archenemy of the TVA. This bill also would gauge the usefulness of the "authority" type of agency.



"YOU LOOK GREAT, HANDSOME—NOW LET'S GET THIS TELEPHONE INSTALLED!"

The Future of Hydroelectric Plants

THE future seems bright for development of business-managed hydro projects which are adaptable to integrated system operation. This in essence is the opinion of Milton G. Salzman, hydraulic engineer for Ebasco Services Incorporated. Mr. Salzman has written a scholarly and practical study, entitled "Cost Trends in Hydroelectric Power Generation." The analysis answers two questions. What has happened to hydroelectric power generating costs? And what are the future prospects for development of hydro plants?

As an introductory thought it is pointed out that the "competitive" angle of hydro *versus* steam plants is no longer the vogue and the hydro is now considered to be complementary to steam and other available sources of power and energy. Mr. Salzman says that comparative costs are still viewed in order to determine the economic justification of new capacity additions, but the over-all needs of the system for base load generation or peak capacity are the governing factor.

The general conclusions of the study are given early in the presentation which was made at the recent annual meeting of the American Society of Civil Engineers.

They appear in the following statement:

> It is well known that hydroelectric generating costs have risen considerably during the last ten years along with the general rise in labor wage rates and material costs. Despite these increases, economies in design, construction, and operation have been effective in maintaining the cost of hydro power and energy production on a relative basis with the general increase in the cost of living as reflected by the purchasing value of the dollar. Engineering efforts have been expended towards reduction in unit investment cost by installation of larger capacity units, improvements in design and simplification of powerhouse structures, with reduced space requirements for auxiliary and electrical equipment. Increased operating efficiency and improved maintenance methods have tended to moderate the effects of the higher operating labor and material costs. The comparative effect of the cost trend in relation to the increased cost of producing power and energy by other means has been to stimulate the development of hydroelectric power projects which can be effectively utilized in the load curve of a large system.

Most of the remainder of the analysis deals with the facts concerning the trends in costs for plant, equipment, and operation. Many charts and diagrams are presented. In concluding, the author presents a summary containing specific points:

> The rising trend of labor and material costs has had the following general effect upon the cost of hydroelectric power generation:
>
> 1—Higher investment unit costs moderated by engineering economies such as:
> (a) Installation of larger capacity units resulting in reduced cost per kilowatt of installed capacity.
> (b) Improved design of hydraulic equipment permitting higher head developments, high speed, more efficient turbines with corresponding savings in generator costs.
> (c) Simplified station with reduced space requirements and elimination of nonessential auxiliary equipment.
> (d) Unit scheme of electrical layout.
>
> 2—Increased production costs reduced by operating economies such as:
> (a) Improved efficiency and increased kilowatt-hour plants.
> (b) Improved maintenance methods.
> (c) Automatic and remote control operation.
>
> The present low cost of money is a favorable factor in the development of hydro plants where considerable investment is required for dams, waterways, and transmission lines. This tends to partially offset the effect of the higher construction costs.
>
> Substantial increases in the cost of operating labor and fuel for thermal plants favor the development of hydro stations. High transmission costs still impose a severe liability where plants are remotely located from the load, but the extension of service areas with regional pooled operation of plants and interconnection of transmission systems makes possible the use of considerable hydro power and energy in the system load.

The author concludes that the accomplishments of the last decade indicate that engineers designing hydro plants have done much to counteract the effect of the many and diverse factors tending to increase the cost of energy generation. He is relatively optimistic regarding the future of hydro plants, particularly when adapted to integrated system operation.

Notes on Recent Publications

Natural Gas Pipe Lines Mapped. A large map showing the principal natural gas pipe lines in the United States has been published by the Federal Power Commission. It traces the flow of gas from its source to the location where consumed. The map is printed in color and is suitable for framing. The commission refers to it as FPC-M-7, and has priced it at $5 a copy. Principal producing fields are identified by name, and the names of companies are keyed into the map from an alphabetical list. Federal Power Commission, Washington 25, D. C.

Analysis of Utility Securities. A current study of the securities and the financial position of electric, gas, and traction companies has been published by Standard & Poor's Corporation. After a general analysis of the three industries the 15-page booklet discusses individual companies and the prospects for their securities. Detailed analysis is given for more than 60 companies. General earnings outlook is considered favorable. INDUSTRY SURVEYS, UTILITIES, CURRENT ANALYSIS, Standard & Poor's Corporation, New York, New York.

WHAT OTHERS THINK

National Income for Whom? Look magazine has published an interesting article of the subject "Who Gets Our National Income?" Feature of the story is more in its method of presentation than the actual facts revealed. The author is Rev. Edward A. Keller, CSC, who is director of the Bureau of Economic Research of the University of Notre Dame, and consulting economist for the American Economic Foundation of New York city. Father Keller puts his facts in simple attractive language, illustrated by humanized drawing and diagrams.

Main point of the article is to disprove the too generally accepted idea that "The rich get richer . . . and the poor get children." This is done by submitting figures on annual income figures for 1917 and 1944 for individuals in three income group classes—under $5,000, over $25,000, and those in between. Other simple comparisons are given to clinch the point.

The treatment given to manufacturing profits is along the lines already tried by some corporations and agencies, but it is new to the extent that it is not generally used. Profits are referred to repeatedly as that part of the selling price collected for the use of tools. Also, these tools are "labor-aiding tools," "not labor-saving" devices.

The article closes with an effective refutation of the argument popular in the 1930's that the United States was a "mature economy" and hence had ceased to grow. With this theory was its corollary idea that people in high income brackets were saving too much money which should have been going into the spending stream. Hence, it was argued that this excess money should be siphoned off into the public treasury by taxation. The writer contends that much of our depression in the decade 1930-40 was caused by cessation of the investment of private capital, the tool account. *Look* magazine, March 16, 1948.

New Petroleum Chemical Industry. Some natural gas and petroleum companies are giving increased attention to the chemical industry. The new petroleum-chemical industry is expanding in the Southwest. Greatest growth is in Texas, Arkansas, and Louisiana. Natural gas, petroleum, and coal contain many carbon compounds used to make dyes, medicine, plastics, fibers, rubber, and explosives. This situation is discussed in a booklet published by the large brokerage house, Merrill Lynch, Pierce, Fenner & Beane. It is pointed out that more than $300,000,000 was invested in this southwest area under the stimulus of war and another $300,000,000 of private capital has since gone into the area. The 24-page booklet giving facts on the chemical industry and principal companies is obtainable on request. CHEMICALS. Merrill Lynch, Pierce, Fenner & Beane, 70 Pine street, New York 5, New York.

Public Utility Labor Disputes in Pennsylvania. Two members of the faculty of the University of Pittsburgh have written a pamphlet on public utility labor disputes. The authors, Clair V. Duff and Craig T. Stockdale, discuss the general question of conflict of jurisdiction between the Pennsylvania state utility antistrike law and the national Taft-Hartley Act of 1947. The article discusses the history of such legislation and then compares the two present laws mentioned. The conclusion is that "it is difficult to imagine a factual situation where the Pennsylvania Act of 1947 would be applicable." "Public Utility Labor Disputes," reprinted from the *Pennsylvania Bar Association Quarterly*, January, 1948.

Utility Construction by State and Local Agencies. The Federal Works Agency in Washington publishes an information bulletin once a month on public construction. The February, 1948, issue contains figures on state and local construction contracts awarded for utilities, classified by electric, transit, waterfront, and miscellaneous for the years 1946 and 1947. Also total figures for 1947 are classified by states. PUBLIC CONSTRUCTION. Federal Works Agency, Washington, D. C.

Presenting a Company to the Public. The Research Institute of America has a booklet entitled "How to Tell Your Company's Story." Main purpose of the publication is to present concrete suggestions as to how employees, stockholders, and the public may be informed adequately on the company's activities and policies. The analysis goes into detail as to methods of making the most of the annual report and how to simplify financial statements. Considerable space and discussion are devoted to telling the business story through advertisements and other media. However, most of these ideas also can be used in a modified form in annual reports, plant magazines, and house organs. HOW TO TELL YOUR COMPANY'S STORY. Research Institute of America, 292 Madison avenue, New York 17, New York.

Synthetic Liquid Fuels. U. S. Bureau of Mines, Interior Department, has published a 128-page report on the government's synthetic liquid fuels work for the year 1947. It is a highly technical document, but is decidedly worthy of study by those vitally interested in the development of synthetic liquid fuels to supplement our decreasing reserves of petroleum. The report discusses in detail experimental and demonstration plants working with oil shale, coal, synthesis gas, and agricultural residues. The official responsible for the report, W. C. Schroeder, chief, Office of Synthetic Liquid Fuels, advocates the establishment of a synthetic fuels

industry in this country without waiting for another war. He states that to build a capacity of one to two million barrels daily would require several years and large amounts of steel and other materials as well as man power.

Such a program would be about 5 to 10 times the magnitude of the synthetic rubber program during the last war. He says further: "At this stage in the development of synthetic fuels processes, with the competition of cheaper petroleum still prevailing and the future clouded with uncertainties, it is doubtful that private industry will find the investment sufficiently attractive to warrant starting plant construction without governmental assistance in some form. In coöperation with industrial groups, specific proposals will be developed during 1948 to initiate a synthetic liquid fuels industry in the United States." Official title of the publication is REPORT OF THE SECRETARY OF THE INTERIOR ON THE SYNTHETIC LIQUID FUELS ACT FROM JANUARY 1, 1947, TO DECEMBER 31, 1947.

FM Radios in Busses. Passenger Transport, weekly newspaper of the transit industry, reports that installation of FM radio receivers in vehicles may result in a profitable source of revenue for transit companies.

The National Association of Transportation Advertising, Inc., estimates that "transit radio may develop a new audio-visual medium with a potential revenue annually of $100,000,000." Broadcasters are offering to pay in return for an audience for their programs. The first reported FM contract in the industry was signed by the Cincinnati, Newport & Covington Railway Company and the Transit Radio, Inc. It is thought that the Cincinnati Street Railway Company may be the next.

The American Transit Association has advised member operating companies to examine thoroughly the many ramifications of the problem before entering into contracts. The association plans to act as a clearing house for FM information on behalf of its members.

Controller's Responsibilities Increasing. Controllers in most companies find themselves with added responsibilities. The growing number of laws and government regulations increases the duties of the controller. Most of these come within his jurisdiction, and hence advance his status as an officer of the company. This situation is discussed in considerable detail in a publication of the Metropolitan Life Insurance Company entitled *The Functions of the Controller*. Subject matter of this booklet covers all duties of the controller as found in a survey of 50 representative companies. Extensive organizational charts of typical companies are included. A 51-page booklet obtainable on request. FUNCTIONS OF THE CONTROLLER. Metropolitan Life Insurance Company, Policyholders Service Bureau, New York.

Statistics on Publicly Owned Electric Systems. The engineering firm of Burns & McDonnell has published a 384 page book containing statistics and data on publicly owned and operated electric systems in the United States. It is the ninth edition of the book showing rates, earnings, expenses, and other operating records. Results are shown for large cities and many small ones down to 2,500 in population. Data are recorded for 600 out of the total of 3,460 communities having publicly owned electric systems. Also included are discussions of the Bonneville Power Administration, Tennessee Valley Authority, public utility districts and coöperatives, and numerous summary tables. RESULTS OF PUBLICLY OWNED ELECTRIC SYSTEMS, 1947-1948, Burns & McDonnell, 95th and Troost avenue, Kansas City, Missouri. ($10 per copy.)

For Better Gas Service

"GAS service is essential in the lives of more than one-half of the U. S. population; interruption in this service constitutes a danger to life and property; the gas industry has taken and is taking advantage of every facility to make operations safer and more dependable.

"Communication is vital to proper operations; all existing forms of communication are presently being used; 2-way mobile radio is the fastest, most dependable, and best adapted means of communication to insure prevention of accidents, to effect speedy repairs, to safeguard the public, and to conduct gas utility operations."

—EXCERPT *from survey, American Gas Association's mobile radio committee.*

The March of Events



In General

NSRB to Undertake Studies

Two studies will be undertaken by the National Security Resources Board as a result of a meeting held on April 5th by Arthur M. Hill, chairman, with twenty-five electric utility leaders and government representatives.

The studies will deal with (a) the capacity and requirements of power systems, and (b) the status of the production of heavy power equipment.

Both industry and government representatives pledged to Mr. Hill their support in supplying specialized technical personnel required in making these studies.

The studies will be coördinated by Edward Falck, chief consultant on power and utilities of the board, and Paul B. Valle, consultant on power and utilities of the board.

THOSE accepting the invitation to the meeting were: Kilshaw M. Irwin, Philadelphia Electric Company; William A. Lyons, vice president, New York State Gas & Electric Corporation; V. M. Marquis, American Gas & Electric Service Corporation, New York city; E. W. Morehouse, vice president, General Public Utilities Corporation, New York city; Philip Sporn, president, American Gas & Electric Service Corporation, New York city; Walker Cisler, executive vice president, Detroit Edison Company; Charles Collier, vice president, Georgia Power Company; Alexander Bailey, vice president, Commonwealth Edison Company, Chicago; James B. Black, president, Pacific Gas and Electric Company, San Francisco; H. P. Sedwick, vice president, Public Service Company of Northern Illinois; William S. Peterson, department of water and power, Los Angeles; John M. Orr, Duquesne Light Company, Pittsburgh; Donald C. Luce, vice president, Public Service Electric Company of New Jersey; Gordon Clapp, chairman, Tennessee Valley Authority; G. O. Wessenauer, Tennessee Valley Authority; Walter Seymour, division of power, Department of the Interior; Barclay J. Sickler, Bonneville Power Administration; C. Girard Davidson, assistant secretary, Department of the Interior; Nelson Lee Smith, chairman, Federal Power Commission; E. Robert de Luccia, Federal Power Commission; Chandler W. Jones, New England Electric system, Boston, Massachusetts; Claude R. Wickard, administrator, Rural Electrification Administration.

Bonneville Rate Schedules Issued

THE Federal Power Commission has made public two orders, one approving three rate schedules and general rate schedule provisions covering sales of firm power from the Bonneville project and the other disapproving a proposed rate schedule for sale of secondary power from the project.

The rate schedules approved are designated as E-4, F-4, and R-1. Rate Schedule E-4 which is to supersede rate Schedule E-3 retains the basic rate of E-3 but modifies the irrigation and drainage pumping provision by setting a ceiling of $6 per kilowatt of demand covering all charges for that service during May through September and eliminates

the previous $4.50 per kilowatt per year ceiling applying to demand charges only. Rate Schedule F-4 will supersede rate Schedule F-3. This schedule also retains the basic rate of the previous schedule but changes the power factor adjustment provision so as to increase the measured demand by 1 per cent for each 1 per cent the power factor is below 85 per cent, and also eliminates the irrigation and drainage pumping provision.

Schedule R-1 covers the sale of firm power by direct sales to railroads or sale for resale to railroads and provides a flat energy charge of 4 mills per kilowatt hour, a monthly minimum charge of 50 cents per kilovolt amperes at each point of delivery, and correction for power factor when below 95 per cent.

The modification of the general rate schedule provisions consists primarily of the addition of clauses containing a formula for determiniig power factor, defining "uncontrollable forces," providing for the proration of bills if service is interrupted due to uncontrollable forces and for arbitration of disputes arising in regard to estimated data used for billing purposes, a revision of the definition of energy supplies for emergency or breakdown use under wholesale energy rate Schedule H-3, and a modification of the "contract demand" provision.

The rate schedule not approved by the commission proposed a one-mill per kilowatt-hour rate for the direct sale of secondary energy to industrial customers for industrial processing requirements.

Plan Held Fair and Equitable

FEDERAL Judge Paul Leahy recently ruled that the liquidation and dissolution plan of Louisville Gas & Electric Company is fair and equitable.

He disagreed with the Securities and Exchange Commission about cumulative dividends to holders of class A stock which the commission had denied, but said that this factor is not sufficient to vitiate the plan.

"I do not think it necessary to require a specific finding by the commission that the allocation is fair," Judge Leahy said.

Alabama

Power Rate Ordered Cut

THE Alabama Power Company last month was ordered to make price reductions and refunds totaling more than $100,000 on wholesale electricity sold several cities and REA coöperatives. The order was announced by the state public service commission's president, Gordon Persons.

Persons said cities which own and operate their own electric systems on power purchased from Alabama Power Company would save $29,471 a year under the order. Ten municipalities are affected by the commission order: Opelika, Dothan, Foley, Tuskegee, Sylacauga, Piedmont, LaFayette, Lanett, Alexander City, and Hartford.

In addition, he said, these cities will receive refunds for approximately the same amount because the order is retroactive for almost a year.

Arizona

Purchase Completed

PURCHASE by Arizona Edison Company, Inc., of all Arizona properties of the California Electric Power Company was completed on April 1st ending a jurisdictional dispute between the two utility firms over serving areas adjacent to Yuma, one of the fastest growing cities of the West.

Connecticut

Commission Reserves Decision

THE state public utilities commission reserved decision at the close of hearings early this month on an application of the Danbury & Bethel Gas & Electric Light Company to increase its gas rates. The company was granted rate boosts in 1946 which increased its revenues by $39,000.

The increases now proposed by the company would raise its revenues by about $100,000. Of this sum, $89,000 would be paid by the company's domestic customers, $10,000 by commercial customers, and $1,600 by industrial customers.

Company spokesmen testified on April 1st, under cross-examination by Attorney John Collins of the commission's staff, that the average increase to domestic customers would be about $1.10 a month. Further questioning by Mr. Collins brought out that, while the company's domestic customers use 75.8 per cent of the company's gas output, these customers pay 83.7 per cent of the gas rate revenues received by the utility company.

Delaware

Approves Gas Rate Increase

THE public utility commission early this month gave its approval to an increase of 8 cents per thousand cubic feet of gas used by all customers of the Delaware Power & Light Company during the three months starting May 1st.

To the user of 4,000 to 5,000 cubic feet of gas a month this means a monthly increase in his bill of 32 to 40 cents, it was explained.

The increase was granted as a result of the company's disclosure that the production cost of gas per thousand cubic feet for the 12-month period ended February 29th is 7.90 cents more than it was for the standard period used for comparison which is the twelve months ended August 31, 1947.

This disclosure was contained in a report on the gas production cost adjustment, one of the allowances made to the company when the commission approved a general basic increase in gas prices last fall after a public hearing.

When the last adjustment was made, for the three months started February 1st, the addition was one cent per thousand cubic feet. Customers have been billed at this rate during February, March, and April.

District of Columbia

Keeps Ban on Gas Conversions

THE District of Columbia Public Utilities Commission recently announced its ban on converting coal and oil heating systems to gas would continue "until further order." The action made permanent a temporary order issued February 27th because of an expected gas shortage in the District, it was said.

Conversions are banned in homes, apartment and office buildings, and commercial houses. Gas heating units may be installed, however, in all but extra-large new buildings.

Washington Gas Light Company requested the ban February 26th because it said supplies next winter will be sufficient to handle only 14,000 new installations.

Maine

Increased Rates to Be Filed

CENTRAL MAINE POWER COMPANY will take steps "in the near future" to increase rates charged for power in Portland and elsewhere in its territory throughout the state, according to an announcement made early this month by President William F. Wyman.

Every householder and other power user is expected to be affected under a new schedule of rates to be filed with the state public utility commission at Augusta, according to the announcement.

In a statement to stockholders, Wyman said the plan to increase rates "interrupts a trend of many years' standing during which substantial savings have been made available to customers through the many reductions which the company has made in our rates."

He said high costs have today affected every business "and ours is one of the very few that have not already adjusted prices to meet this condition."

Michigan

DSR Subsidy Asked

MAYOR Van Antwerp recently said he favored a charter amendment subsidizing the Detroit Street Railway by taxes against downtown property owners "who are benefited by having the DSR bring passengers to their doors."

He spoke after a 3-man committee from the Wayne County CIO Council handed him petitions bearing 3,417 signatures in an attempt to halt the DSR fare raise to 13 cents, scheduled for midnight April 4th.

Tracy Doll, CIO council president; Sam Sage, secretary, and Coleman Young, director of organizations, were the committee members. Doll is a recent Van Antwerp appointee to the new charter study committee.

"You men know that neither personally nor politically do I favor this fare raise," the mayor said. "But it is my clear duty under the charter to maintain the system. Raising the fare is the only thing that can be done without a charter amendment."

Turning to Doll, he added that one of the first moves the charter study committee might suggest "is a charter revision by which the DSR could be subsidized by taxes from downtown property owners."

Minnesota

State Power Project Near

A NEW $6,000,000 REA power plant to use North Dakota lignite coal for cheaper production of electricity will be built in Anoka county to break the farm power shortage in a vast belt of central Minnesota reaching from Pine City to Willmar, the *St. Paul Dispatch* recently reported on "excellent authority."

An REA loan of more than $2,000,000 to finance construction of a modern steam turbine generating plant that will serve as the first unit was officially approved in Washington last month by Claude R. Wickard, REA Administrator.

Later two additional units are to expand the new plant to three times the $2,000,000 size at the beginning. The first unit is to generate 11,500 kilowatts of power.

The new generating plant will serve

farmers in a region centering in Anoka that includes Cambridge, Princeton, Braham, Milaca, Elk River, Maple Lake, Buffalo, and Monticello and extends to Jordan and westward toward Willmar.

The first official step in the big new REA power development plant came in the form of Wickard's approval of a loan of $2,340,000 to the Rural Coöperative Power Association serving four REA distributing co-ops in the area.

Pact Held Amendable

THE city of Jackson may modify or abrogate a contract with the Rural Electrification Administration by mutual consent, Attorney General J. A. A. Burnquist held recently.

A legal opinion was requested by Karl L. Rudow, Jackson City attorney. Rudow said the city entered into a contract with the local REA corporation to sell to it a limited amount of electrical energy for redistribution and sale to its patrons.

"When a municipality engages in the manufacture, sale, and distribution of electrical energy, it acts in a proprietary capacity and has generally the same powers as natural persons," Burnquist said.

Mississippi

New Oil and Gas Board

THE state senate has approved, with amendments, a house bill that would establish a 5-member appointive oil and gas board with authority to determine well-spacing, production rates, unitization, transportation, and other problems of oil conservation.

Missouri

Utility Strike Averted

A THREATENED strike of employees of the St. Louis County Water Company was averted when the company agreed last month to submit the dispute to arbitration.

The arbitration proposal already had the approval of the union, the CIO Utility Workers of America, Local 335, which had voted to strike on March 31st, unless an agreement were reached. The arbitration panel would be composed of three members of the St. Louis County League of Municipalities.

The union demanded a pay increase of 20 cents an hour, later reduced to 10 cents. The company offered 5 cents. When the parties were unable to agree the union took a strike vote and proposed that the matter be arbitrated. The company declined to arbitrate and contended that it could not be compelled to do so under the King-Thompson Act, which prohibits strikes and provides for arbitration in utility disputes, because the union had not given proper notice of a reopening of the contract.

A determination of the legal aspects of the contract was pending in the state supreme court.

Senate Rejects New Utility Tax Plan

TAXATION of the use of public utility services to raise revenue for public purposes was rejected by the state senate recently in a refusal to pass a bill which would have established a precedent for an entirely new source of revenue in Missouri.

The Kansas City Board of Education is sorely in need of additional funds. Instead of increasing the tax on property to obtain increased revenue for schools, it proposed a tax of 5 per cent on the gross amount of electric, gas, and telephone

bills of consumers, excluding manufacturing plants.

The bill was opposed in the senate on the ground that it would establish a precedent for inequitable taxation which would be heavy on persons least able to pay higher taxes, and on the ground that once established as a principle of taxation in one city it would rapidly spread throughout the state.

Nevada

Rate Reduction Approved

CHAIRMAN J. G. Allard said recently that the state public service commission had approved new reduced rates for the Elko-Lamoille Power Company.

The reduced rates, Allard said, will result in a saving of $25,000 annually for power users in the Elko area. He said the reduction was based on a study of the 1947 profits earned by the company, which indicated that the rate of return on the firm's investment appeared "top-heavy."

The reduction was to go into effect with the March billings. An average saving of $9 a month will be realized by the utility's customers in the area, Allard said.

New Jersey

Rate Increase Petition Granted

THE state public utilities commission on April 3rd approved the petition of the Perth Amboy Gas Light Company for an increase in rates, effective April 15th. It is designed to increase revenues by $50,400 and give the company an income of 3.8 per cent on its capital investment.

The commission said the present return is unjust, unfair, and insufficient.

Under the new schedule the minimum general service rate will be $1 for the first 400, instead of the first 500, cubic feet. The rate for the next 39,600 cubic feet will be 11.7 cents for 100 feet, instead of the present 11, and the rate for all gas in excess of 40,000 feet will be 10.7 cents, instead of 10.

The residential service rate will provide the same minimum charges as in the general rate. The rate for the next 1,000 feet will be 11.7 cents a hundred, instead of 11; 10.7 cents for the next 3,600 feet, instead of 10, and 8.7 cents for in excess of 5,000 feet, instead of 8.

New York

Governor Signs Bills

GOVERNOR Dewey's office announced on April 1st his approval of a bill granting increased powers of taxation to counties and localities under the state's local tax program.

New York city, in addition to the special local taxing powers previously conferred, will be authorized to increase the ceiling on the taxing of utility services from 2 to 3 per cent and to raise the ceiling on the taxation of coin-operated amusement devices.

This bill strikes out the provision that counties can use the special tax revenues for education only.

The application of the law is extended to counties and to cities over 25,000 population. Under the original statute, it applied only to cities of over 100,000.

Added to the special taxes permitted is a levy not to exceed 3 per cent on gas, electricity, water when delivered through

mains or pipes, refrigeration, steam, telephony, and telegraphy. Excepting the last two, the tax is limited to domestic or commercial use.

New York City Hall sources recently stated Mayor William O'Dwyer would not make use of the law signed by Governor Dewey permitting the city to raise the fare by any amount and without a referendum.

In signing the bill over the mayor's opposition, Governor Dewey noted that it was wholly permissive. He declared it placed the transit problem "within the control of the board of transportation and the mayor, where it belongs."

City Hall sources indicated they would make the fare issue a major one in the 1949 mayoralty elections.

The GOP-sponsored law permits the board of transportation to increase or decrease the fare from 5 cents to any amount it sees fit, with the approval of the mayor and without a referendum. Mayor O'Dwyer had asked the governor to veto the bill.

Mayor O'Dwyer's proposed bill—part of a legislative package turned down by the state legislature—would have empowered only the board of transportation to boost the fare to 8 cents, or any amount necessary to meet operating expenses.

Ohio

Supplemental Gas Order Issued

THE state utilities commission on April 1st authorized gas companies to provide heating for new homes to the extent of their capacity to meet the demand. The commission ordered, however, that installation of conversion burners in the old houses for hardship cases be given priority over heating units for new homes.

The commission issued a supplemental order, effective at noon April 1st, modifying its order of last October 3rd, which banned all new gas installations for space heating.

The new order provided for installation of heating units for new housing and conversion burners for old houses on a 50-50 basis under the conditions set out in the order.

Chairman Harry M. Miller said effect of the order was to leave it up to the gas companies to determine how much additional service they could give the public.

The commission found that Ohio's natural gas shortage would continue through the winter of 1948-49. It kept in effect restrictions on industrial use of gas. Gas companies still have authority to cut off industrial users first in event of an emergency.

Oklahoma

Utility Board Wage Boosted

A SPECIAL state supreme court on March 30th ordered a $2,500 annual increase in pay for state corporation commission members. The special court, which was named by Governor Turner after eight of the nine regular high court justices disqualified in the case, ruled that duties imposed upon the commission by the last legislature are in addition to their normal duties and that a pay increase is justified in its opinion.

At the same time the court declared unconstitutional a state law which would increase the salaries of superior court judges to equal those of district court judges.

In the corporation commission case, the court ruled that compiling and annotating of all the state's gas and oil laws, a service asked by the state legislature, was over and above the commission's normal duties. The law called for a

$2,500 annual salary increase for the work.

The suit was filed by Reford Bond, chairman; Ray O. Weems and Ray C. Jones, commissioners, against Roger Phelps, state budget officer; A. S. J. Shaw, state auditor; and John Conner, state treasurer.

Oregon

Turns to Council for Rate Boost

THE Portland Traction Company, recently unsuccessful in obtaining jurisdiction of state Public Utilities Commissioner John Carkin over a petition for fare increases, filed a formal application for the same fare structures with the city council late last month.

The company is asking a straight 10-cent fare, except for schoolchildren whose rates would remain as they are. The 11-for-$1 tickets would be eliminated, along with the weekly pass.

Gordon G. Steele, president, declared an emergency situation confronts the company, which has experienced a downward trend in revenues "continuous, with slight variation," over the past two years.

The increase allowed by the city council last February stopped the downgrade only temporarily, he set forth. Meanwhile, he related, all costs, including taxes, have gone up, wage agreements with employees are about to terminate, and workers are demanding higher pay. Unless fares go up too, Steele argued, the company cannot give the kind of service the public deserves, pay proper returns to stockholders and wages to workers, or complete its modernization plans.

Virginia

Gas Rate Boost Approved

CUSTOMERS of the Roanoke Gas Company will pay higher rates for service under an order entered by the state corporation commission, effective April 1st.

The commission approved the Roanoke Company's application for rate increases to bring in $125,000 in new revenue annually. The rate boosts will average 15.7 per cent. The commission held the rates asked by the petitioner were "not unjust or unreasonable."

The company cited sharp increases in production costs in support of its petition, its first asking a rate increase since 1920.

Earlier, the commission granted rate increases of 16.2 per cent for Winchester, 12.9 per cent in Petersburg, 24.7 per cent in Suffolk, and 15.4 per cent in Portsmouth.

Washington

PUD Hearing Postponed

A SUPERIOR court hearing to determine the necessity of the Chelan County Public Utility District's acquiring properties of the Washington Water Power Company has been postponed until June 28th.

The delay was asked by the company, and granted by Superior Judge Fred Kemp.

Property involved in the hearing includes the company dam at Chelan Falls and distribution facilities. Harvey F. Davis, PUD attorney, said the hearing is to determine whether need for the acquisition exists. No determination of value is involved, he said.



Progress of Regulation

Reorganization under Holding Company Act Not Dependent on State Approval

THE circuit court of appeals has upheld the order of the district court approving a plan for reorganization of the Kings County Lighting Company. These two questions were involved:

(1) Whether the consent of the New York Public Service Commission is necessary to the approval of a plan presented by a subsidiary of a registered holding company under § 11(e) of the Holding Company Act;

(2) Whether the plan approved by the Securities and Exchange Commission was "fair and equitable" and "appropriate to effectuate the provisions of § 11."

The Kings County Lighting Company, the common stock of which is mainly owned by the Long Island Lighting Company, a registered holding company, filed a petition in 1945 with the state commission asking approval of a plan for reduction of its capital stock and for an issue of new common and preferred shares. The commission refused approval. Meanwhile a plan had been filed with the Securities and Exchange Commission under § 11(e) of the Holding Company Act.

After the state commission had refused approval, the company filed an amended plan in 1946 which it also filed with the Federal commission. The Securities and Exchange Commission, after suggested amendments, approved the plan and obtained from the district court an order to carry it out. The state commission disapproved the amended plan.

As part of the plan the company was to substitute preferred stock and common stock without par value for outstanding preferred shares and common shares. The state commission held that there was no equity in the company's assets above the claim of the preferred shares, if accumulated unpaid dividends were included. It therefore refused approval of the issuance of new common shares to the old common shareholders.

The state commission took the position that § 7(g) of the Holding Company Act makes compliance with the laws of New York a condition upon plans initiated by a company under § 11(e). It argued that compliance with the laws of New York could not be effected by a decision of the Federal commission. In short, its position was that, so far as the laws of New York might impinge upon a plan, it had a veto.

The court held that the consent of the state commission was not a step required under § 11(e). Whether the commission or the company begins a proceeding for simplification, said the court, is only a matter of procedure. The outcome is precisely the same.

The Holding Company Act not only provides for simplifying the capitalization of holding companies, but also in §§ 6 and 7 provides for protection of existing shareholders and the general buying public. The provision for state approval of securities covers an entirely different situation from that within § 11. The court said:

> When a company files a "declaration" under § 7, it does so to promote its own interest; by hypothesis the law does not demand any change in the status quo. Not so of a situation which calls for intervention under § 11 . . .

The state commission further argued that the plan by its own terms provided for state approval. The court held that this condition was not an essential part of the plan and might be disregarded. It only provided one of the steps to be taken to make the amended plan effective.

That the value of investment securities may be measured by prospective earning power, said the court, is now too well settled to admit of debate. Whether there was any evidence to support the conclusion that the old common shares had any value based upon future earning power of Kings County Company was an inquiry into which the court was not disposed to enter. Any opinion would be at best a guess, dependent, among other things, upon what rates the company would be allowed to charge. *Public Service Commission of New York et al. v. Securities and Exchange Commission. For lower court decision, see Re Kings County Lighting Co. 71 PUR NS 363, and see the related decisions by the Federal commission in 67 PUR NS 245 and by the state commission in 68 PUR NS 296.*

Telephone Exchanges Showing Higher Earnings Escape Rate Increase

THE California commission has permitted the Pacific Telephone & Telegraph Company to increase rates upon a showing that earnings were less than any claimed cost of money. Although gross revenues had increased, net revenue had declined because of higher expenses.

The latest report of earnings for areas served by the company showed that the return in the Los Angeles extended area was 6.6 per cent, while the San Francisco-East Bay extended area produced a return of only .7 per cent. Outside exchanges showed a return of 2.3 per cent. The commission said:

> It would appear to the commission that there is considerable merit to the protest of the representatives of cities in the Los Angeles extended area and further substantial rate increases should not be assessed at this time to subscribers in that area.

The commission concluded that equity required increases in the San Francisco-East Bay extended area and in most of the outside exchanges throughout the state.

The commission said it would be inequitable to adjust rates as proposed by the company or to use a uniform statewide surcharge.

The company, in support of its request for higher rates, referred to the fact that, if financing of capital improvements through loans were continued, the debt ratio would rise to 69 per cent from the present 46 per cent, which would result in an unsound capital structure. It stressed the necessity of being in a position to raise new capital in part by common stock. *Re Pacific Teleph. & Teleg. Co. (Decision No. 41021, Application No. 28211).*

Right to Refuse Gas to Apartment Building Is Question for Courts

A NEW YORK court denied a motion to dismiss a complaint by the owners of an apartment building against a threat by a gas company to discontinue service. The court continued a temporary injunction so as to permit a referee to determine the merits of the controversy.

The public utility company supplies

electricity and gas in the city of Syracuse under a franchise which requires service "to any person desiring the same." A corporation had constructed several apartment houses to be heated by gas and had advised the utility company of its needs. Connections were made, meters installed, and service rendered to several apartments.

The company, because of a gas shortage, notified the owner last December that it would discontinue all gas service to the apartments unless the heating units were discontinued. The company had been informed that heating units had been installed in violation of restrictive regulation ordered by the public service commission.

The court decided that, whatever power the commission might have to relieve the company of its service obligations, there was involved a question of law for the courts to determine. The commission has no authority to pass on a question of law. The court said:

> We are here faced with a claim that neither the plaintiff nor the city, nor any interested party was served or given notice that would permit one to be heard in opposition. A notice was served, however, on or about December 10, 1947, that within ten days all gas service, which would necessarily mean for cooking, for hot water purposes, and for space heating, would be discontinued unless the gas heating unit was disconnected. A question as to whether such action was unreasonable or arbitrary, involving as it did the rights of innocent occupants, actual or contemplated, presents a question of law. This is true especially in view of the general knowledge of the housing emergency . . .

Under New York decisions reviewed by the court, the commission had been denied power to make an order discriminating in favor of present customers. The court said that it was only determining that questions existed that permitted the parties to be heard. It continued the injunction to prevent unnecessary harm or suffering. It then said:

> Surely the amount of gas necessary to keep a moderate degree of heat in the occupied apartments is not likely to break down the entire means of supply to others. However, this interim respite during the present emergency must not be accepted by prospective builders as an open sesame to demand gas heat. The defendant cannot be expected to perform the impossible.

Lemoyne Arms, Inc. v. Central New York Power Corp. 76 NYS2d 703.

It may be noted that the New York legislature has recently passed a law permitting the commission, upon finding that a shortage for household needs exists, to (1) require gas corporations to control or discontinue service to industrial consumers during the period of the emergency, and (2) require such corporations to discontinue the supply of gas to new customers or additional service to present customers for such purposes as may be designated by the commission. This power may be exercised "notwithstanding the provisions of any statute or any franchise held by a gas corporation."

Competitive Bidding Requirement

THE Securities and Exchange Commission, although exempting bonds from the competitive bidding requirements of Rule U-50, announced its intention henceforth to deny summarily any application for exemption where competitive bidding is, on its face, required and the company has, before obtaining authorization from the commission, entered into discussions or negotiations with respect to the terms of sale with any prospective purchaser of securities. *Re New England Gas & Electric Asso. et al. (File No. 70-1676, Release No. 7973).*

The commission, in passing upon an application for exemption with respect to the sale of common stock, emphasized that in dealing with problems of exemption its decision in any particular case must depend upon an evaluation of all the relevant factors and that these will differ in balance and weight from those in any other case. *Re Commonwealth & Southern Corp. (Delaware) (File No. 70-1680, Release No. 7975).*

Curtailment of Natural Gas to Industrial Customers Upheld by Commission

A NATURAL gas company is justified in curtailing service to industrial customers with a view to conserving its natural gas resources for others when the supply has diminished to the point where continuous service to other customers is threatened. The Michigan commission adopted this view in concluding that Michigan Consolidated Gas Company should not be required to serve certain industrial customers to whom it had given curtailment notices.

The commission took cognizance of the "grim fact that there is a dire shortage of natural gas in Michigan." The company had suspended acceptance of additional space-heating customers and had restricted the amount of gas sold to industrial users. The commission said:

> Natural gas is an exhaustible and irreplaceable natural resource. Its continued existence for the benefit of industry and society should be jealously guarded and preserved. It cannot and must not be frittered away. A storage field is an essential and indispensable adjunct to this valuable resource. A certain base pressure in the storage field must be maintained. As gas is removed from the field, the pressure is reduced. If reduced below the safe base pressure, the field is invaded by water and brine which ruins the field for all purposes and for all time to come. It is therefore incumbent upon this commission to approach this problem from the standpoint of preserving the usefulness of the Austin storage field for years to come. This must be our first and foremost consideration!

The commission said it was not passing upon the construction or effect of contracts with the industrial customers. It would not hazard a guess upon what some court might hold. The industries contended that the company had no right to cut off service and that it must find means of supplying it. It was claimed that certain contracts were void as against public policy and that a rule authorizing curtailment was likewise void and unenforceable even though approved by the commission.

The commission said that cases cited to support this contention were for the most part cases involving artificial gas, water, or similar services which did not involve an exhaustible natural resource. As a natural gas company the utility did not hold itself out to furnish any other kind of service. The commission continued:

> It must be obvious that a company furnishing natural, as distinguished from artificial gas, cannot commit itself to supply that gas in unlimited quantities to large industrial users, with no limitation as to time or amount. As the courts have said, its supply is dependent upon the "beneficence of nature."

Re Michigan Consolidated Gas Co. (D-3000).

Power Commission Does Not Consider Nuisance Question

A DECISION of a presiding examiner of the Federal Power Commission, recently approved by the commission, considers a protest against construction of natural gas facilities viewed as a nuisance. Several people said that operation of a valve station caused excessive noise and vibration.

They had filed proceedings in court for redress of wrongs but were concerned that a certificate, if granted, would permit the natural gas company to install additional valves and thus intensify the nuisance complained of, as well as possibly prejudice their cases in court.

The examiner said that it might be noted that the company had already installed silencers on its compressor engines. It had made an investigation as to both noise and vibration and denied that a nuisance existed. He then said:

> Of course, no certificate of convenience

and necessity can protect the holder thereof from the consequences of his violation, if any, of the legal rights of others.

The matter of public nuisance here suggested is one for presentation before the courts. *Re East Ohio Gas Co. (Docket No. G-932).*

"Grandfather" Rights for Oil Carriers

THE Minnesota commission, after interpreting a new state statute conferring "grandfather" rights on petroleum carriers regularly operating before May 1, 1947, awarded certificates to a large number of applicants who satisfied the statute and were fit and able to render adequate public service. The commission limited the operation of each carrier to that section of the state which it had served before the critical date. *Re Dahlen (Docket No. PC-17, Order No. PC-1).*

Financial Arrangement May Await Granting of License

ABILITY to finance construction of a power project is intimately related to the question of economic feasibility of the development, but it is also dependent upon license authorization. The Federal Power Commission says that, while a license should not be authorized merely for trading purposes, it is necessary to approve the project before complete financial arrangements have been made.

This matter was discussed in an opinion relating to the authorization of a power development on Cedar river in Iowa which is to be undertaken by First Iowa Hydro-Electric Coöperative. The commission had previously dismissed an application for a license for failure to submit satisfactory evidence of compliance with state laws as then thought to be required by § 9(b) of the Federal Power Act [(1944) 52 PUR NS 82]. Dismissal of the application was later set aside by the Supreme Court and the case sent back to the commission for further proceedings [(1946) 328 US 152, 63 PUR NS 193].

The license was granted on condition that if the coöperative fails to submit satisfactory evidence of financial commitments it shall not become effective. The commission said:

> Obviously, no independent concern such as the coöperative could hope to obtain firm commitments on any proposed bond issue in advance of commission authorization of a license. While we do not regard the mere license authorization to construct a water-power project subject to Federal jurisdiction as being any guaranty of economic feasibility, it does not seem to be our function under the act to prohibit construction of a desirable project which an applicant appears to be able to finance merely because complete financial arrangements have not been made, when as a matter of business practice such arrangements depend upon the license authorization initially.

Re First Iowa Hydro-Electric Coöperative (Opinion No. 162, Project No. 1853).

Contract with Engineering Affiliate Should Be Filed

THE New York commission, after investigating a contract for efficiency studies entered into between a transit company and an affiliated engineering company, ruled that the contract was one which should have been filed with the commission. The matter was referred to counsel. The commission made no finding as to whether the company had profited by the studies and recommendations but based its decision on earlier rulings in which it had refused to approve executed contracts which should have been submitted for approval prior to their execution. *Re Third Avenue Transit Corp. et al. (Case 13388).*

Sale of Holding Company Facilities to Coöperative Upheld

THE Federal District Court granted an order enforcing a holding company simplification plan which had been approved by the Securities and Exchange Commission. The plan provided, among other things, for the sale of the physical assets of Eastern Minnesota Power Corporation to certain electric coöperative associations. Some consumers and villagers objected to this phase of the plan.

The principal objections of the consumers were: (1) The coöperatives do not have facilities for furnishing an adequate and dependable supply of energy for the present and future power requirements of the power customers; and (2) there is no showing that the coöperatives would or could supply service at reasonable rates.

The court observed that these objections were based on apprehension and fear that the purchasing coöperatives would not be able to carry out the plan approved by the commission as well as some successful and established public utilities. It decided that these objections did not furnish a sufficient basis for interference with the commission's findings and order. It said:

> The court is not unmindful of the general criticism of coöperatives based on the theory that their alleged tax-free profits and ability to obtain loans such as in the case at bar provide the necessary funds for the sort of expansion permitted by the commission's approval of the plan we are here concerned with. But with such criticism the court cannot concern itself. The personal opinions of individuals and the ideologies of persons or groups opposing coöperative enterprises as such do not enter into the problem here presented. The power of the court is too limited and circumscribed to set aside the findings and order of the commission on the record here controlling. The court cannot exercise any general supervision of the commission, nor can it direct the administrating of the act.

The court believed that the sole question for its determination was whether the plan was fair and equitable and appropriate to effectuate the provisions of § 11 of the Holding Company Act. It stated that its duty ends if the record submitted supports the commission findings by substantial evidence consistent with the authority granted by Congress. That a contrary conclusion might have been reached by the court, if the act permitted a hearing anew, was deemed to be of no avail to the objectors. Furthermore, the court said, the wisdom of the commission's conclusions was not of any concern of the court. *Re Eastern Minnesota Power Corp. et al. 74 F Supp 528.*

Air Service to Intermediate Point Authorized

THE Civil Aeronautics Board approved an air carrier's application for an amendment of its certificate to permit it to serve an intermediate city, upon its route, which had expanded rapidly during the war period. The commission found that a public need existed for the air transportation and that the area could be served without undue cost to the government.

The commission ruled that the carrier's record of successful air transport operations over a period of years established its ability to render satisfactory public service. *Re Continental Air Lines, Inc. (Docket No. 2835).*

Costs of Commission Investigation Charged to "Guinea Pigs"

THE New York commission denied a request of several motor carriers that it prorate the expenses of an investigation of rates and charges among all carriers affected by the investigation regardless of whether they were immedi-

ately involved in the proceeding. The carriers' position was that those among them selected as "guinea pigs" of the investigation should not be required to carry the full burden of the investigation.

The commission conceded that many situations could come about where the decision would equally affect several utilities and where the costs of the investigation would be prorated. The commission, however, did not feel that in the matter at hand, where the various carriers were joined only as a matter of convenience and where the result might be different as to each of them, it had authority to prorate the investigation costs. *Re New York Motor Carrier Conference, Inc. (Case 12902).*

Commission Order Denying Carrier Certificate Reinstated by Higher Court

An appeal from a circuit court decision in favor of a motor carrier seeking redress against the Maryland commission for denial of a certificate resulted in the reinstatement of the commission decision.

The motor carrier had petitioned the commission to remove certain restrictions in its certificate so that it might render more extensive passenger service. When the petition was denied, the matter was taken into court, with the carrier contending that the commission had acted arbitrarily and abused its discretion. The lower court supported this contention.

The higher court based its reinstatement of the commission order on the carrier's failure to carry its burden of proving that the order was unreasonable or unlawful. The court pointed out that the commission was acting properly in requiring that the proof show the existing service to be inadequate and in such a state that the carrier already operating could not make it satisfactory even if afforded the opportunity.

Competition, the court pointed out, is a legislative and not a judicial question. Court feeling as to this division of authority is apparent in this statement:

> It is unprecedented as far as we have been able to determine for the courts to say that the public service commission should grant competition where that commission has found that there is an adequate service or one which by direction of the commission could be made adequate.

Bosley et al. v. Quigley, 56 A2d 835.

FPC Denies Petition for Rehearing on Issuance of Preliminary Permit

The Federal Power Commission denied a petition filed by South Caroline Electric & Gas Company for rehearing of an earlier commission order. The order authorized issuance of a 1-year preliminary permit to Lyles Ford Tri-County Power Authority for a proposed project on the Broad and Congaree rivers in South Carolina and denied the company's application for a preliminary permit for its proposed Lower Saluda project on the Saluda river.

In the present order, it was stated that no new facts have been presented or alleged by South Carolina and no new principles of law have been set forth.

The FPC found, in its earlier order, that the two developments would conflict physically and that it would not be practicable to construct both. The commission also found that the plans for the proposed development by Lyles Ford conform to the comprehensive plan of development of the Santee-Congaree river basin in the interests of navigation and the development of hydroelectric power as reported by the Chief of Engineers of the Army. *South Carolina Electric & Gas Co. (Project Nos. 1956, 1965).*

Other Important Rulings

THE Wisconsin commission, in determining new rates for a telephone company, examined the salary of the manager-owner critically and in its estimate of future expenses refused to allow an amount sufficient to provide an increase of approximately 38 per cent in the manager's salary. *Re Lodi Teleph. Co. (2-U-2427).*

The Maine commission authorized a water company to increase rates to produce a return of about 5 per cent on a rate base computed through application of the investment theory. *Re Damariscotta-Newcastle Water Co. (FC No. 1255).*

The Maryland commission, in investigating complaints against the service of a motor carrier and the attitude of its employees, ruled that, while a bus operator's primary obligation is to operate in a proper and safe manner, he should also be courteous at all times, even under difficult circumstances, and should be fully informed as to transfer points and lines comprising the company's system. *Re Baltimore Transit Co. (Case No. 4895).*

The supreme court of Indiana, in ordering a railroad to resume operation of certain trains, pointed out that the fact that the trains had been operated at a loss did not necessarily require the commission to authorize discontinuance. *Illinois Central R. Co. v. Public Service Commission et al. 75 NE2d 900.*

Titles and Index

Preprints in This Issue of Cases to Appear in
PUBLIC UTILITIES REPORTS

TITLES

Falk, Re	(FPC)	119
Greenwood County, Re	(FPC)	121
Keiger, Re	(NC)	124
Laclede Gas Light Co., Automatic Firing Corp. v.	(Mo)	130
Long Beach Bus Co., Maltbie v.	(NYSupCt)	117
North State Teleph. Co., Re	(NC)	118
Old Town Teleph. Co., Re	(NC)	124
Republic Light, Heat & P. Co., Re	(NY)	122
Rush County Rural Electric Membership Corp., Re	(Ind)	128
Scranton-Spring Brook Water Service Co., Matthews v.	(Pa)	126
South Carolina Electric & Gas Co., Re	(SEC)	142
Tide Water Power Co., Re	(NC)	113
United States Government Housing Project, Re	(NC)	113

INDEX

Corporations—limitation on voting rights, 142; stock escrow agreement, 142.

Discrimination—gas curtailment during emergency, 130; service extensions, 126.

Intercorporate relations—contract for gas supply, 122; interlocking directorates, 119.

Rates — Commission jurisdiction over modification of rate contracts, 113; free interexchange telephone service, 124; fuel adjustment clause, 128.

Return—capital stock basis, 118; telephone company, 118.

Service—abandonment of motor carrier service, 117; duty to serve, 122; expansion of plant, 126; gas curtailment during emergency, 130.

Water—exemption from annual charges, 121; power project licensee, 121.

***Public Utilities Reports* (*New Series*)** are published in five bound volumes annually, with an Annual Digest. These Reports contain the cases preprinted in the issues of PUBLIC UTILITIES FORTNIGHTLY, as well as additional cases and digests of cases. The volumes are $7.50 each; the Annual Digest $6.00. *Public Utilities Reports* also will subsequently contain in full or abstract form cases referred to in the foregoing pages of "Progress of Regulation."

NORTH CAROLINA UTILITIES COMMISSION

Re United States Government Housing Project (Re Tide Water Power Company)

Docket No. 4273
February 9, 1948

APPLICATION *for authority to increase gas rate to government housing project; approved.*

Rates, § 49 — Commission authority — Contract between utility and government.

1. The power of the Commission to change the rate in any contract between a utility and a customer when it appears unjust or discriminatory is in no way limited by the fact that the customer happens to be the United States Government, p. 115.

Rates, § 49 — Commission authority — Change of service contract.

2. The Commission is unequivocally vested with power to change the rate in any contract made by a utility under its jurisdiction at any time during the contract period, after notice and hearing, when, in the opinion of the Commission, the rate is unjust or discriminatory, p. 115.

Rates, § 267 — Meters — Group rate — Commission position.

Statement that the mass sale of gas or electric current for grouped individuals on an unmetered basis is not favored by the Commission since it is tantamount to a subsidy which requires the regular customer to pay, in addition to his regular bill, part of the bill of the subsidized group, p. 114.

APPEARANCES: A. E. Jones, for petitioner; William F. Graham, for U. S. Housing Administration.

By the COMMISSION: In this case the Tide Water Power Company comes before the Commission and asks that it be authorized to increase the gas rate on war housing projects in the Wilmington, North Carolina, area now being served under contract with the United States Government.

This increase, the company states, is sought on the grounds that the present rate is less than cost of production and is discriminatory against the users of similar service to other projects in Wilmington and customers in other towns now being served by the company.

The company requests the Commission to authorize the following rates:

Project # 31021	
First 208 M cu. ft. per Mo.	$204.24
Excess over 208 M cu. ft. per Mo.	68¢ M cu. ft.
Minimum charge per Mo.	$204.24
Project # 31023	
First 66 M cu. ft. per Mo.	$64.78
Excess over 66 M cu. ft. per Mo.	68¢ M cu. ft.
Minimum charge per Mo.	$64.78

Other Important Rulings

THE Wisconsin commission, in determining new rates for a telephone company, examined the salary of the manager-owner critically and in its estimate of future expenses refused to allow an amount sufficient to provide an increase of approximately 38 per cent in the manager's salary. *Re Lodi Teleph. Co. (2-U-2427).*

The Maine commission authorized a water company to increase rates to produce a return of about 5 per cent on a rate base computed through application of the investment theory. *Re Damariscotta-Newcastle Water Co. (FC No. 1255).*

The Maryland commission, in investigating complaints against the service of a motor carrier and the attitude of its employees, ruled that, while a bus operator's primary obligation is to operate in a proper and safe manner, he should also be courteous at all times, even under difficult circumstances, and should be fully informed as to transfer points and lines comprising the company's system. *Re Baltimore Transit Co. (Case No. 4895).*

The supreme court of Indiana, in ordering a railroad to resume operation of certain trains, pointed out that the fact that the trains had been operated at a loss did not necessarily require the commission to authorize discontinuance. *Illinois Central R. Co. v. Public Service Commission et al. 75 NE2d 900.*

Titles and Index

Preprints in This Issue of Cases to Appear in
PUBLIC UTILITIES REPORTS

TITLES

Falk, Re	(FPC)	119
Greenwood County, Re	(FPC)	121
Keiger, Re	(NC)	124
Laclede Gas Light Co., Automatic Firing Corp. v.	(Mo)	130
Long Beach Bus Co., Maltbie v.	(NYSupCt)	117
North State Teleph. Co., Re	(NC)	118
Old Town Teleph. Co., Re	(NC)	124
Republic Light, Heat & P. Co., Re	(NY)	122
Rush County Rural Electric Membership Corp., Re	(Ind)	128
Scranton-Spring Brook Water Service Co., Matthews v.	(Pa)	126
South Carolina Electric & Gas Co., Re	(SEC)	142
Tide Water Power Co., Re	(NC)	113
United States Government Housing Project, Re	(NC)	113

INDEX

Corporations—limitation on voting rights, 142; stock escrow agreement, 142.

Discrimination—gas curtailment during emergency, 130; service extensions, 126.

Intercorporate relations—contract for gas supply, 122; interlocking directorates, 119.

Rates — Commission jurisdiction over modification of rate contracts, 113; free interexchange telephone service, 124; fuel adjustment clause, 128.

Return—capital stock basis, 118; telephone company, 118.

Service—abandonment of motor carrier service, 117; duty to serve, 122; expansion of plant, 126; gas curtailment during emergency, 130.

Water—exemption from annual charges, 121; power project licensee, 121.

***Public Utilities Reports* (*New Series*) are published in five bound volumes annually, with an Annual Digest. These Reports contain the cases preprinted in the issues of PUBLIC UTILITIES FORTNIGHTLY, as well as additional cases and digests of cases. The volumes are $7.50 each; the Annual Digest $6.00. *Public Utilities Reports* also will subsequently contain in full or abstract form cases referred to in the foregoing pages of "Progress of Regulation."**

Re United States Government Housing Project (Re Tide Water Power Company)

Docket No. 4273
February 9, 1948

APPLICATION *for authority to increase gas rate to government housing project; approved.*

Rates, § 49 — Commission authority — Contract between utility and government.

1. The power of the Commission to change the rate in any contract between a utility and a customer when it appears unjust or discriminatory is in no way limited by the fact that the customer happens to be the United States Government, p. 115.

Rates, § 49 — Commission authority — Change of service contract.

2. The Commission is unequivocally vested with power to change the rate in any contract made by a utility under its jurisdiction at any time during the contract period, after notice and hearing, when, in the opinion of the Commission, the rate is unjust or discriminatory, p. 115.

Rates, § 267 — Meters — Group rate — Commission position.

Statement that the mass sale of gas or electric current for grouped individuals on an unmetered basis is not favored by the Commission since it is tantamount to a subsidy which requires the regular customer to pay, in addition to his regular bill, part of the bill of the subsidized group, p. 114.

APPEARANCES: A. E. Jones, for petitioner; William F. Graham, for U. S. Housing Administration.

By the COMMISSION: In this case the Tide Water Power Company comes before the Commission and asks that it be authorized to increase the gas rate on war housing projects in the Wilmington, North Carolina, area now being served under contract with the United States Government.

This increase, the company states, is sought on the grounds that the present rate is less than cost of production and is discriminatory against the users of similar service to other projects in Wilmington and customers in other towns now being served by the company.

The company requests the Commission to authorize the following rates:

Project # 31021	
First 208 M cu. ft. per Mo.	$204.24
Excess over 208 M cu. ft. per Mo.	68¢ M cu. ft.
Minimum charge per Mo.	$204.24
Project # 31023	
First 66 M cu. ft. per Mo.	$64.78
Excess over 66 M cu. ft. per Mo.	68¢ M cu. ft.
Minimum charge per Mo.	$64.78

Project # 31024	
First 93 M cu. ft. per Mo.	$90.44
Excess over 93 M cu. ft. per Mo.	68¢ M cu. ft.
Minimum charge per Mo.	$90.44
Project # 31025	
First 348 M cu. ft. per Mo. ...	$341.84
Excess over 348 M cu. ft. per Mo.	68¢ M cu. ft.
Minimum charge per Mo.	$341.84
Project # 31026	
First 220 M cu. ft. per Mo. ...	$216.10
Excess over 220 M cu. ft. per Mo.	68¢ M cu. ft.
Minimum charge per Mo.	$216.10

In addition to the above rates, a fuel charge as follows will be added:

The rate on monthly consumptions of over 10,000 cubic feet shall be increased or decreased by the following amounts:

A. 3 mills per each 100 cu. ft. increase or decrease for each whole .1¢ increase or decrease from 7.3¢ per gallon in the price of oil F.O.B. the Wilmington Gas Plant.

B. 4 mills per each 100 cu. ft. increase or decrease for each whole 10¢ increase or decrease from $7.60 in the price of gas coal F.O.B. the Wilmington Gas Plant.

The witness for the company stated when the rate in question was established by contract the cost of gas production was 60 cents per thousand cubic feet and the cost now is 77 cents plus, and that during the same period the cost of oil had gone from 5.22 cents per gallon to 9.5 cents per gallon, and the cost of coal had increased from $5.50 per ton to $9.49 per ton. He stated that under the contract rate the company was receiving an average of 62 cents to 64 cents per thousand cubic feet on the projects served, thus causing a loss of $10,000 a year.

The witness also stated that the winter months' consumption compared to the summer months' (almost double) indicated to his mind that the tenants in these projects were using gas for house heating, which is not in accord with the contract which was designed for cooking and water heating.

The witness further stated that in his opinion the government, during the winter months, was paying for approximately twice as much gas as it should be paying owing to the misuse of gas by tenants. He pointed out that the consumption for the month of August, 1947, was 1,187,000 cubic feet while the consumption during the month of December, 1947, was 2,063,000 cubic feet. He further voiced the opinion that if consumption was held to use as provided in contract the government would pay no more in dollars and cents on an annual basis under the proposed rate than it is now paying. Under the proposed change he stated that the cost of gas to the government would be approximately 75 cents per thousand cubic feet.

The government representative, Mr. William F. Graham, expressed no opinion as to the merits of the present or proposed rate but took the position that the rate in the contract should not be increased during the term of contract.

From the testimony and the data submitted by the company and its witness it is patent to the Commission that the company is losing money on the contract at issue and that contract rate is a discrimination against similar contracts and gas users in general.

The rates proposed by the company, shown above, are, in the opinion of the Commission, fair and reasonable and should be granted.

The mass sale of gas or electric current for grouped individuals, especially on an unmetered service basis, has never appealed to this Commission as this course is tantamount to a sub-

sidy to a certain group and makes the regular customer pay not only his own bill but required him to carry part of the load of the subsidized group.

In the contract at issue the following appears:

"If, during the period of this agreement, or during any period of extension or continuation thereof, the utility makes general reduction in rates covering all classes of service provided herein, or if lower rates are made applicable to this general class of service, then such reductions shall be applicable to the rates for the service covered by this contract."

[1, 2] The implication here is that the contract rate is subject to change by this Commission but owing to the government's position "that such contracts may not be amended so as to increase the financial obligation of the government without an equivalent return consideration," the Commission thinks it appropriate to set forth the law on the point at issue.

This Commission is unequivocally vested with power to change the rate in any contract made by a utility under its jurisdiction and a customer at any time during the contract period when in the opinion of the Commission said rate is unjust or discriminatory, after notice and hearing.

This position of the Commission is sustained by the supreme court of North Carolina in its opinion handed down at the 1919 fall term of the court in the case of Charlotte v. Southern Pub. Utilities Co. 179 NC 151, PUR 1920C 907, 916–918, 101 SE 619, where this Commission had increased the street railway fare of the company in Charlotte above the fare provided in company's contract with the city.

The court in its opinion said in part:

" 'Accordingly, it is a fundamental principle of the constitutional system of the United States that rights of property, like all other social and conventional rights, are subject to such reasonable restraints and regulations established by law as the legislature, under the governing and controlling power vested in it by the Constitution, may think necessary and expedient. And to these ends the legislature, under its police power, may pass laws regulating the acquisition, enjoyment, and disposition of property, even though in some respects these may operate as a restraint on individual freedom or the use of property. The subordination of property rights to the just exercise of the police power has been said to be as complete as is the subjection of these rights to the proper exercise of the taxing power; and it is held that this implied condition is quite irrespective of the source or character of the title. This principle is in effect an application of the maxim which underlies the police power, "sic utere tuo ut alienum non laedas," ' citing in support of the statement Chicago & A. R. Co. v. Tranbarger (1915) 238 US 67, 59 L ed 1204, 35 S Ct 678; Atlantic Coast Line R. Co. v. Goldsboro (1914) 232 US 548–558, 58 L ed 721, 34 S Ct 364, and other cases.

"In Atlantic Coast Line R. Co. v. Goldsboro, *supra,* Associate Justice Pitney, for the court, said: 'For it is settled that neither the contract clause nor the 'due process clause' has the effect of overriding the power of the state to establish all regulations that are reasonably necessary to secure the health, safety, good order, comfort, or

general welfare of the community; that this power can neither be abdicated nor bargained away, and is inalienable even by express grant, and that all contract and property rights are held subject to its fair exercise.'

"In view of this power, and for its primary exercise, our general assembly, chiefly in Revisal, Chap 20, and amendments thereto, have created a Corporation Commission, given it general supervision over the railways, street railways, and like companies of the state, and empowered it to fix such rates, charges, and tariffs as may be reasonable and just, having in view the value of the property, the cost of improvements and maintenance, the probable earning capacity under the proposed rates, the sums required to meet operating expenses and other specified matters pertinent to such an inquiry. . . ."

". . . Under and by virtue of this legislative authority and in the exercise of the power referred to, the Commission in this instance, on notice given, have had an investigation, and, in their best judgment, have allowed the increase applied for by the petitioners, and, under the express provisions of the statute that are to be considered, the just and reasonable charges for the service rendered unless and until they shall be changed or modified on appeal, or the further action of the Commission itself; and under the principle illustrated and approved in the cases cited, and others of like kind, we must affirm the ruling of his Honor that any contract that the city of Charlotte may have for a lower rate must yield to the public interest and requirement as expressed in this authoritative judgment of the Commission.

"Not only is the judgment of his Honor sustained by the principle more directly involved, but any other ruling in its practical application would likely and almost necessarily offend against the principle which forbids discrimination on the part of these companies towards patrons in like condition and circumstance. If a quasi-public company of this kind could evade or escape regulation establishing fixed rates that are found to be reasonable and just by making long-time contracts or other, this regulation might be made to operate in furtherance of the very evil it is in part designed to prevent.

"Accordingly, it has been very insistently held, in case of railroads, that the rates established by the Interstate Commerce Commission and published pursuant to their order shall always prevail as the charges for transportation notwithstanding any special contract for lower rates made by the parties. Texas & P. R. Co. v. Mugg & Dryden (1906) 202 US 242, 50 L ed 1011, 26 S Ct 628, and many other cases."

This position is also sustained in the opinion of the supreme court of North Carolina in the case of Corporation Commission against certain manufacturing companies, in an opinion handed down at the 1923 spring term of the court (Corporation Commission v. Cannon Mfg. Co. 185 NC 17, PUR 1923D 548, 116 SE 178).

In view of the foregoing, therefore

It is *ordered*, that on billings on and after March 1, 1948, the Tide Water Power Company is hereby authorized

and directed to put into effect the rate schedules set forth above for service supplied to United States Government projects Nos. 31021, 31023, 31024, 31025, and 31026 at Wilmington, North Carolina, in lieu of rate stipulated in contract for service at said projects.

NEW YORK SUPREME COURT, NASSAU COUNTY

Milo R. Maltbie et al.

v.

Long Beach Bus Company, Incorporated (City of Long Beach et al. Interveners)

— Misc —, 75 NYS2d 861
November 14, 1947

ACTION *by Commission to enjoin bus company from discontinuing service; granted. Judgment affirmed (1947) in 272 App Div 1069, 75 NYS2d 304 and permission to appeal to court of appeals granted, November 17, 1947.*

Service, § 215 — Abandonment — Commission approval — Motor carrier.

A bus company must apply for Commission consent to abandon an unprofitable service, or for an increased rate so as to make the service pay, before service may be discontinued.

Service, § 231 — Abandonment — Unprofitable service.

Statement that a motor bus company may not be compelled to operate a business in which there is a continuing loss, p. 117.

APPEARANCES: Philip Halpern, of New York city (Philip Hodes, of New York city, of counsel), for petitioners; Leonard Zuckerberg, Acting Corporation Counsel, of Long Beach, for city of Long Beach; James F. Conway, of Rockville Centre, for defendant; George R. Brennan, Town Attorney, of Mineola, for town of Hempstead.

STODDART, J.: The application to enjoin the defendant from discontinuing the operation of bus service over routes in and near the city of Long Beach is granted. The contention of the defendant that it may not be compelled to operate a business in which there is a continuing loss is sound, in my opinion, but as the legislature has vested the Public Service Commission with jurisdiction over public utilities, the defendant should have applied to that Commission for the right to terminate its service or to increase its

tariffs to make its venture reasonably profitable. In the action Spring Brook Water Co. v. Hudson Falls (1945) 269 App Div 515, 519, 60 PUR NS 314, 317, 56 NYS2d 722, 725, it is written:

"The transfer sections of the Public Service Law, . . . are a part of the statutory scheme by which rate schedules are to be kept on file, under the supervision of the Public Service Commission . . ., and service continued thereunder until the consent of the Commission has been obtained to a cessation of service. From this standpoint it is immaterial whether the company sells and transfers its property to a municipality or to anyone else. The Commission is entitled to inquire into the question of whether adequate service to the public will be continued after the transfer, or whether sufficient reason exists for an abandonment of service, if service is to be abandoned."

In view of the picture of the defendant's affairs, painted by the defendant's counsel, I believe an immediate hearing by the Commission should be held in order to give the defendant the relief which may be appropriate under the circumstances.

NORTH CAROLINA UTILITIES COMMISSION

Re North State Telephone Company

Docket No. 3516
December 18, 1947

APPLICATION *for authority to increase telephone rates; granted.*

Return, § 111 — Telephone company — Capital stock basis.

A telephone company earning a return of only 4.57 per cent, using capital stock as a basis, was authorized to increase rates so as to produce a return of 6.16 per cent on that basis.

By the COMMISSION: In this case the North State Telephone Company comes before the Commission and asks for authority to put into effect the following rate schedules at its High Point and Thomasville exchanges:

	1-Party	2-Party	4-Party
High Point			
Business	$5.25	$3.75	—
Residence	3.00	—	$2.00
Thomasville			
Business	$4.50	$3.75	—
Residence	2.75	—	$2.00

According to the application the above-proposed rates would increase the company's annual revenue by approximately $30,642, gross, and $16,786.67 net.

Statement included in application showed that the company for the three months' period—July 1, 1947, to September 30, 1947—made a net return of $12,000.19, a net income of $48,000.36 raised to an annual basis.

Computed on this basis, using capital stock at basis, the company's rate of return was 4.57 per cent.

The net increase requested, $16,786.67, added to the earning shown by three months' period, $48,000.76, would give the company a net income of $64,787.03, a rate return of 6.16 per cent on the basis of capital stock.

The witness for the petitioner corroborated the financial figures given in application which have been used in above illustrations in arriving at present and prospective earnings.

The witness pointed out that the shrinkage in net earnings was due to wage increases made not only during the present year but during each year for the past five years, and to the cost of material and supplies which, witness said, had increased from 30 to 100 per cent, according to items, since 1940.

In further justification for the rates requested the witness said, "The continuation of our present inadequate local exchange rates will not permit us to maintain our present service, attract new money, and expand an adequate telephone service for the people of our territory and would, therefore, be contrary to the public interest."

No one appeared in opposition to the application although the matter was fully advertised.

In view of the company's presentation and the belief that the exchange rates requested are reasonable, the Commission is of the opinion that the rate schedules requested should be granted, therefore

It is *ordered*, that on billings on and after January 1, 1948, the North State Telephone Company is hereby authorized to put into effect the exchange rates requested for its exchanges at High Point and Thomasville set forth above.

FEDERAL POWER COMMISSION

Re Harold S. Falk

Docket No. ID-944
December 23, 1947

APPLICATION *for authorization to hold positions of director in manufacturing company and in electric utility company; denied.*

Intercorporate relations, § 13.1 — Directors — Interlocking positions.

An application for authority, under § 305(b) of the Federal Power Act, 16 USCA § 825d(b), to hold the position of director in an electrical manufacturing company and director and member of the executive committee of the board of directors of an electric utility company should be denied when the utility company has bought in the past, and will buy in the future, large amounts of equipment from the manufacturing company and the applicant fails to show that either public or private interests would not be adversely affected.

By the COMMISSION: It appears to the Commission that:

(a) On April 15, 1941, Harold S. Falk, 3001 West Canal street, Milwaukee, Wisconsin, by order of the Commission was authorized to hold the following positions: Director, Wisconsin Electric Power Company, and Director, Mississippi Valley Public Service Company.

(b) On September 2, 1947, applicant notified the Commission that he no longer held the following position: Director, Mississippi Valley Public Service Company.

(c) On September 2, 1947, applicant filed a supplemental application pursuant to § 305(b) of the Federal Power Act, 16 USCA § 825d(b), for authority to hold the following positions: Director, Allis-Chalmers Manufacturing Company, and Director, and Member of Executive Committee of Board of Directors, Wisconsin Electric Power Company.

The Commission, having considered said application, upon the information therein contained, and other information in relation thereto furnished by the applicant, finds that:

(1) Allis-Chalmers Manufacturing Company is a manufacturer of electric equipment and in the past has supplied electric equipment to Wisconsin Electric Power Company during the time when the applicant held the position of Director therein. During the 3-year period, 1944 to 1946, inclusive, the average annual amount paid by Wisconsin Electric Power Company to Allis-Chalmers Manufacturing Company for the purchase, erection, and repair of electrical equipment was substantially $410,000. In addition, Wisconsin Electric Power Company has recently purchased two 80,000-kilowatt generating units and related equipment which will require payments by Wisconsin Electric Power Company to Allis-Chalmers Manufacturing Company in the estimated amount of $4,300,000 during the 3-year period, 1947–1949, inclusive.

(2) Applicant has failed to show, by his application and supplemental information filed in relation thereto, that either public or private interests will not be adversely affected by his holding the positions described in paragraph (c), above.

The Commission *orders* that: The application heretofore filed by the applicant pursuant to § 305(b) of the Federal Power Act, seeking authority to hold the positions as described in paragraph (c) above, be and the same is hereby denied.

Re Greenwood County

Project No. 1267
January 6, 1948

APPLICATION *by county, licensee under Federal Power Act, for exemption from payment of annual charges; denied.*

Water, § 20.4 — Licensee of power project — Exemption from annual charges.

A county which is a licensee for a power project should not be exempted from payment of annual charges, pursuant to § 10(e) of the Federal Power Act, 16 USCA § 803(e), when it does not show that any of the electricity produced was sold to the public without profit or was used for state or municipal purposes.

By the COMMISSION:

(1) An application was filed February 6, 1947, by Greenwood county, South Carolina, licensee for Project No. 1267, for exemption from payment of annual charges for the year ended December 31, 1946, pursuant to the provisions of § 10(e) of the Federal Power Act, 16 USCA § 803(e), on the grounds that part of the power developed by the project was sold to the public without profit, and that part of the power generated by the project was used for state or municipal purposes.

(2) On December 31, 1946, the licensee was duly billed for annual charges for the year 1946 in the amount of $1,090. Payment of such charges was received by the Commission on January 29, 1947, and placed in special account pending action on application for exemption.

(3) The income statement submitted by the licensee in support of its application shows that it had a net income from project operations for the year 1946 of $145,799.15, after provision for interest, depreciation, and other operating expenses. The licensee has not shown that any of its power sales during the year 1946 were made at or below cost of production.

(4) The application explains that the power claimed as used for state or municipal purposes was in fact sold to Rural Electrification Administration coöperatives and municipal systems owning and operating their own distribution systems.

The Commission, having considered the application and the record thereon, finds that:

(5) The licensee is a municipality within the definition of § 3(7) of the Federal Power Act, 16 USCA § 796 (7), and is entitled to claim exemption from payment of annual charges under § 10(e) of the act.

(6) The licensee has not established that any of the electric energy produced by it during the year 1946 was sold to the public without profit or was used for state or municipal purposes and,

therefore, licensee is not entitled to any exemption from payment of annual charges for that year.

It is *ordered* that:

(7) The application for exemption from payment of annual charges for Project No. 1267 for the year ended December 31, 1946, be and it is hereby denied and the sum paid shall be released from the special account and deposited to the general fund of the United States Treasury, in accordance with § 17 of the Federal Power Act, 16 USCA § 810.

NEW YORK PUBLIC SERVICE COMMISSION

Re Republic Light, Heat & Power Company, Incorporated

Case 13426
January 16, 1948

HEARING *on proposed contract submitted by gas utility for supplemental gas supply; approved in modified form.*

Intercorporate relations, § 2 — Contract for gas supply — Rate condition.

1. A contract between a gas utility and another company for a supplemental gas supply is objectionable when it contains a provision that the contract will not become effective until and unless the Commission permits a rate increase satisfactory to the utility, p. 123.

Service, § 144 — Duty to serve — Inadequate facilities — Gas utility.

2. A gas utility is required by law to supply its customers with gas, and, if facilities are insufficient, it must provide the required facilities, p. 123.

Service, § 148 — Duty to serve — Profit.

3. The duty of a gas utility is to furnish service to its customers, and it may not bargain and say it will serve only such customers at such times and with such gas as will be most profitable to it, p. 123.

APPEARANCES: Philip Halpern, Counsel (by Joseph J. Doran, Assistant Counsel), for the Public Service Commission; Raichle, Tucker & Moore (by Frank G. Raichle), Buffalo, and Robert Burns, New York city, attorneys, for Republic Light, Heat and Power Company, Inc.; LeBoeuf & Lamb (by James O'Malley, Jr.), New York city, attorneys, for Central New York Power Corporation.

By the COMMISSION: Early in the summer of 1947 the Republic had knowledge that it would not have sufficient gas to supply the requirements of its customers during the winter of 1947–1948, assuming anything approaching normal weather conditions prevailed. At least by July 1st last,

Republic knew that it was possible to obtain some supplies of gas by arrangement with the Central New York Power Company for the production of gas at the latter company's plant. While various negotiations took place, it was not until ordered to do so by this Commission on December 31st of last year that it entered into any formal arrangement to secure such gas as might be available to supplement its own supply. At that time the deficiency of Republic was estimated to be in the vicinity of 200,000,000 cubic feet. Later estimates by the company now list the deficiency at 150,000,000 cubic feet (the difference, in part, is explained by the use of one of its large industrial customers of other fuel than gas).

In response to the Commission's order Republic has submitted a proposed contract with Central New York. Certain clauses in that contract are highly objectionable and correction thereof is required in the accompanying order. Most of the corrections need no comment.

[1–3] The outstanding objection to the proposed contract is a clause which provides that the contract will not become effective until and unless the Public Service Commission permits an increase of the rates of Republic in an amount satisfactory to Republic.

Republic is required by law to supply its customers with gas. If its facilities are insufficient, it is under the obligation of providing the required facilities. It has failed to do so. It has had the opportunity to make arrangements for additional supplies of gas. Whatever reasons may be advanced by it, such as shortage of fuels, do not alter the fact that it did not, until ordered to do so by this Commission, contract for such supply of additional gas which to some extent is available.

There may be many factors which may limit the total amount which Republic may be able to secure. Under the most favorable conditions it can reduce its deficiency to a minimum. Under the most unfavorable conditions it will receive some gas which will ameliorate its present condition.

Just as the company has been tardy in attempting to avail itself of a possible existing source of supply, so likewise, if it is in fact entitled to an increase, it has been tardy in making such application. The duty of the company is to furnish its customers. It may not bargain and say it will serve only such customers at such times and with such gas as will be most profitable to it. In any question of rates the type of service rendered is an important element for consideration. If, in fact, acquiring the gas from the source under discussion results in increased costs, the company has a remedy with which it is, or at least should be, familiar to apply in the manner prescribed by law for an increase in rates.

NORTH CAROLINA UTILITIES COMMISSION

Re J. Lee Keiger, Doing Business As Old Town Telephone Company

Docket No. 2584
November 19, 1947

APPLICATION *for authority to cancel free toll service between telephone exchanges and for adjustment of exchange rates; granted.*

Rates, § 574 — Telephone — Free interexchange service.
Free and unlimited toll service between telephone exchanges should be abrogated and standard toll rates should apply when, owing mainly to free toll service, a company is operating at a loss and its service is unsatisfactory.

APPEARANCES: J. Lee Keiger, for petitioner; Harry H. Leake, for opposition; F. C. Martel, for self.

By the COMMISSION: In this case the Old Town Telephone Company comes before the Commission and asks that it be given authority to cancel the provision whereby subscribers at the Old Town exchange of the company and the subscribers of the Winston-Salem exchange of the Southern Bell Telephone and Telegraph Company are permitted free and unlimited toll service between said two exchanges and an adjustment of present exchange rates to correspond with changed operating conditions.

Witness for petitioner, the owner, testified that free toll service between the Old Town exchange and the Winston-Salem exchange should be canceled not only on account of the financial loss it is causing in the operation of the exchange but for the reason that it results in poor service, owing to overcrowding of toll circuits. This overcrowding, witness said, could be readily understood when it is understood that subscribers talk as often as they please and as long as they please. Important messages, he stated, were at times interfered with or blocked by lengthy casual conversations.

The witness pointed out that when he acquired the Old Town property ten years ago the exchange had only a few subscribers while today it has 200 subscribers and that the Winston-Salem exchange likewise has grown and now has 22,600 subscribers. During his ownership, witness stated that he had never received any pay for his services or any dividend from the company. With the exception of only one year, he said, the company operated at a loss and that the extra money needed for operation expenses and improvement of plant from time to time was supplied from his personal account. He stated he had already, this year, supplied the company with approximately

$15,000 from his personal funds and he thought the time had come when the company should be operated on a business basis.

A large delegation of subscribers appeared in opposition and a number from the delegation gave testimony. All testified that the service was poor and all were emphatic in their desire that the free toll service should be continued even if it should mean an increase in the exchange rates. These stated that they lived near Winston-Salem and they were entitled to service equal to that of the Winstom-Salem exchange.

Mr. F. C. Martel testified that he lived 4 miles from Lewisville and that for the past two years the Old Town Telephone service was far from satisfactory. In his opinion, the installation of a toll charge would do a great deal towards solving the problem provided the monthly rental charges were reduced to a fair figure.

The Commission finds:

1. That the Old Town Telephone Company is operating at a loss.

2. That its service is unsatisfactory.

3. That the operating loss and unsatisfactory service is due in the main to free toll service.

4. That the exchange rate setup is on an unsound business basis.

In view of these conditions, the Commission is of the opinion

1. That the free toll service now in effect should be abrogated and standard toll rates apply.

2. That exchange and mileage rates similar to rates in effect at similar exchanges should be provided and authorized by this Commission.

The applicant in this case has spent approximately $75,000 in the construction of telephone line, exchanges, etc., to render a service in this community, which service was very much needed. The people living in the community have sought telephone services from other companies operating in the general vicinity and have been refused. The Commission feels that the applicant has done everything reasonable to give to his subscribers good service and has done so at personal expense. Had it not been for the investment made by the applicant this community would be without service of any kind, and the Commission feels that the applicant is entitled to a reasonable return on his investment, provided the exchange has been properly managed.

This Commission has been very much disturbed about this situation for sometime and it is of the opinion that the only way satisfactory service can be rendered is by placing a toll charge on all calls between the Old Town exchange and the Winston-Salem exchange of the Southern Bell Telephone and Telegraph Company.

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Mrs. Bertha Matthews et al.

v.

Scranton-Spring Brook Water Service Company

Complaint Docket No. 14151
November 24, 1947

COMPLAINT *against failure of water company to make extension of distribution system; dismissed.*

Service, § 184 — Expansion of plant — Additional revenues.

1. A public utility cannot be required to make an outlay of capital to extend service where it is evident that additional revenues will fall far short of providing a reasonable return on its additional investment, p. 127.

Discrimination, § 204 — Service extensions.

2. The extension of facilities and service by a water utility, at its sole cost and expense, would be undue discrimination against consumers who in other similar instances may have contributed toward or participated in the cost to an extent making the extension reasonable or compensatory, p. 127.

By the COMMISSION: This complaint is by Mrs. Bertha Matthews and other residents of Duryea borough, Luzerne county, against Scranton-Spring Brook Water Service Company, respondent, seeking an extension of its water distribution system about 8,000 feet along Coxton road in said borough and of its water service to twenty-five potential water consumers in the First Ward, as a means of alleviating unsanitary, unsafe, and unhealthful conditions.

Complainants allege that the Coxton section of the First Ward of Duryea borough is without a public water supply and that the section contains 25 homes occupied by approximately 136 people and is not served by any water utility; and that the result is unsanitary and unhealthy conditions and a serious fire hazard to Duryea borough and adjoining municipalities.

In answer, respondent avers that complainants obtain their water supply from individual wells, which, during periods of average rainfall, provide a sufficient supply of water to meet their needs and that only during the dry months of the year is the supply inadequate; that Coxton section is without sewers and any alleged unsatisfactory and unhealthful condition is due solely to that fact; that in order to provide its water service to complainants, it would be necessary for respondent to lay approximately 7,700 feet of 6–inch and about 300 feet of 2–

inch pipe; and that if respondent were required to make such an extension, in view of the revenues to be reasonably expected or derived from said extension, it would be subjected to an unjust and unreasonable capital expenditure and its property would be taken for public use without just compensation and without due process of law.

A hearing was duly held, briefs have been filed by complainants and respondent, and oral argument was had before the Commission.

The Coxton section of Duryea borough is a narrow strip of land lying between Campbells Ledge mountain and the Lehigh Valley Railroad yards allowing little room for expansion or development. Five of the residences have been constructed since 1936. Approximately 10 of the 25 residences are built on land owned by the Lehigh Valley Railroad Company. With the exception of 2 or 3, they are located along Coxton road.

Respondent's engineer stated that the prospective additional revenues would result in a return of only 0.55 per cent on an estimated cost of $20,274, assuming that the entire twenty-five prospective consumers would connect to respondent's system immediately upon the completion of the extension. There are private wells at 6 homes and the owners or occupants of these might find that the cost of public water supply service would deter them from taking such service. Respondent's engineer further stated that an increase of 100 per cent in the number of consumers would result in a return of but 1.5 per cent.

[1, 2] The Commission is reluctant, for reasons of public health and public safety, to issue an order which may result in the failure of a community in an attempt to obtain public water supply service. However, a public utility cannot be reasonably required to make an outlay of capital where it is evident that present and future resulting additional revenues will fall far short of providing a reasonable return on its additional investment. Furthermore, the extension of facilities and service in this instance by respondent at its sole cost and expense would be undue discrimination against consumers who in other similar instances may have contributed toward or participated in the cost thereof to an extent making the extension reasonable or compensatory.

A public utility should not be subjected to unreasonable expenditures, nor the consuming public be unduly burdened, when there is no rational expectation of the event justifying the expenditure—Sherman v. Public Service Commission, 90 Pa Super Ct 523, PUR1927D 11.

The Commission has found in other cases that it would be unreasonable to require water utilities to make extensions where prospective additional revenues indicated greater rate of probable return (e.g. 2.32 per cent and 3.4 per cent) on the additional investment than that indicated in this instance—(1940)—21 Pa PUC 105—(1937) 16 Pa PUC 544.

After full investigation of all the matters and things involved we find and determine that respondent cannot be reasonably required to extend its facilities and service to complainants' properties at its sole cost and expense

and that the complaint should be dismissed; therefore,

It is *ordered*: That the complaint be and is hereby dismissed.

INDIANA PUBLIC SERVICE COMMISSION

Re Rush County Rural Electric Membership Corporation

No. 20060
December 4, 1947

PETITION *for authority to include emergency fuel adjustment clause in electric rate schedule; granted.*

Rates, § 303 — Fuel adjustment clause.

A rural electric membership corporation, purchasing energy from a power company under a contract containing an emergency fuel cost adjustment clause, should be permitted to include such a clause in its rate schedules in order to absorb increases in energy cost.

APPEARANCES: Samuel L. Traube, Rushville, for petitioner; Glenn R. Slenker, Public Counsellor, by Robert Jones, Assistant Public Counsellor, for the public.

By the COMMISSION: The petitioner, Rush County Rural Electric Membership Corporation, filed with the Commission on October 21, 1947, its petition to amend its published rate schedules to include an emergency fuel cost adjustment clause to enable petitioner to meet in part the increased cost of energy purchased from Southeastern Indiana Power Company and served to its consumers by petitioner, due to emergency conditions created by rising costs of fuel to said Southeastern Indiana Power Company.

The hearing on the petition was held in the rooms of the Commission, 401 State House, Indianapolis, Indiana, at 10 o'clock A. M., Central Standard Time, on November 25, 1947, pursuant to notice duly given as provided by law with appearances as above noted.

At such hearing evidence was introduced, and all parties were heard.

Evidence was introduced to show that petitioner is an Indiana corporation engaged in the purchase, transmission, and distribution of electric energy, as a coöperative under authority of the laws of the state of Indiana, to its members and a very limited number of nonmembers of such corporation, under the jurisdiction of this Commission; that petitioner purchases its energy from Southeastern Indiana Power Company under a contract approved by this Commission; that said contract contains an emergency fuel cost adjustment clause providing for

an increase in the energy price of one-half mill for each one-half cent increase in the delivered price of fuel oil burned by Southeastern Indiana Power Company, in excess of 5.75 cents per gallon in the month preceding the date of the monthly bill, so long as such contract remains in effect; that petitioner rendered electrical service to 1933 consumers in December, 1946, 1,901 of such being farm consumers, 30 being commercial and small power consumers, and 2 being large power consumers; that the increase of energy cost to petitioner, over and above the base rate set out in said contract, became effective for the month of April, 1947, and continues to rise as the average cost of fuel oil to said power company increases; that such increased cost to petitioner has been billed and paid as follows: April, $163.10; May, $160.25; June, $131.75; July, $259.70; August, $401.40; September, $420.60; and October, $606.20.

The evidence further shows that the rate schedules under which petitioner is now serving its customers was filed and became effective when its energy cost was not in excess of the base rate in the above mentioned contract; that petitioner cannot absorb the increase in its energy cost due to the increased cost of fuel oil without injury to petitioner and its customers and that the existing rate schedules of petitioner should be altered, amended, and supplemented by the addition of an emergency fuel cost adjustment clause, which clause, the petitioner says, should read as follows:

The rates applicable to all domestic, rural, commercial, and industrial service shall be increased one-half mill ($.0005) per kw. hr. for each one-half cent ($.005) increase in the delivered price per gallon of fuel oil burned by Southeastern Indiana Power Company, in excess of $.0575 per gallon in the month preceding the date of the monthly bill, so long as the present energy purchase contract remains in effect and/or until the further order of the Public Service Commission of Indiana.

The evidence indicated that such clause will permit petitioner to recoup in part its increased energy cost due to the emergency as above set forth, and the petitioner requested that the foregoing clause when added to the schedules should be applicable to all of the rate schedules of petitioner except those which apply to sales for public street and highway lighting purposes.

The Commission, having heard the evidence in this cause as above set out, and being fully informed in the premises, is of the opinion and now finds that it has jurisdiction of the petitioner and of the subject matter of the petition and that the petition should be granted and it will be so ordered.

It is therefore *ordered* by the Public Service Commission of Indiana that the following clause be and the same is hereby approved as a part of the current rate schedules of the petitioner:

Emergency Fuel Cost Adjustment Clause

The rates applicable to all domestic, rural, commercial, and industrial service shall be increased one-half mill ($.0005) per kw. hr. for each one-half cent ($.005) increase in the delivered price per gallon of fuel oil burned by Southeastern Indiana Power Company, in excess of $.0575 per gallon in the month preceding the date of the monthly bill, so long as the present energy purchase contract remains in effect and/or until the further order of the Public Service Commission of Indiana.

The foregoing clause shall be applicable to service rendered by petitioner and applicable to bills rendered on and after December 15, 1947, and each month thereafter. Said clause shall be applicable to all charges by petitioner for electrical services rendered by it under its existing rate schedules, except petitioner's sales for public street and highway lighting purposes, and

each and all of said rate schedules are hereby amended accordingly.

It is *further ordered* that the petitioner herein shall pay to the state of Indiana through the secretary of this Commission, the costs herein taxed amounting to $6.04, being cost of publication of notices herein.

MISSOURI PUBLIC SERVICE COMMISSION

Automatic Firing Corporation

v.

Laclede Gas Light Company

Case No. 11,155
December 9, 1947

COMPLAINT *seeking rescission of Commission order approving curtailment of gas for space heating to new customers and for order requiring utility to stop enforcing restrictions; dismissed.*

Discrimination, § 199 — Service — Scope of antidiscrimination statute.

1. Reasonable discriminations relating to public utility service are permissible, since the antidiscrimination statutes are leveled against unreasonable preferences and not all preferences irrespective of existing conditions, p. 137.

Discrimination, § 205 — Gas curtailment — Preference to old customers — Space heating.

2. A gas company's practice of refusing service for space heating to new customers, while continuing such service to old customers during a gas shortage, does not constitute unlawful discrimination between customers of the same class, p. 137.

Service, § 146 — Gas curtailment during emergency — Gas space heating.

3. Commission orders authorizing gas curtailment to new customers for space heating during a gas shortage are reasonable, p. 140.

Service, § 59 — Jurisdiction of Commission — Gas curtailment during emergency.

4. The Commission has power to authorize a gas corporation to curtail the use of gas under operating rules during an emergency caused by a gas shortage, in order to preserve the service, p. 142.

By the COMMISSION: The controversy herein arises upon the complaint of Automatic Firing Corporation filed September 2, 1947, against the defendant, The Laclede Gas Light Company. The object of the complaint is to secure from this Commission appropriate orders (1) rescinding its previous order

approving certain gas restrictions hereinafter set forth and (2) requiring the defendant to cease and desist from the use and enforcement thereof. The defendant filed its answer herein on September 15, 1947.

The matter was set for a hearing, upon notice to all interested parties, to be heard in the council chamber of the Clayton city hall in Clayton, St. Louis county, Missouri, on Monday the 22nd day of September, 1947, at 10 o'clock A. M., and was then and there heard before a member of this Commission. At such hearing the complainant, the defendant, St. Louis county, the League of Municipalities of St. Louis county, University City, and the city of Clayton appeared by their respective counsel while R. E. Duffy, chief engineer of this Commission, appeared for this Commission.

All the parties herein were afforded an opportunity to present written arguments or briefs to all members of the Commission and at the close of the testimony time was extended within which the parties could do so. The written argument or brief of the complainant was presented on October 25, 1947, and defendant's on November 4, 1947. Complainant on November 12, 1947, filed a reply brief. On November 15, 1947, the defendant filed a reply brief thereto.

Complainant included in its reply brief a request to the Commission to investigate and secure evidence, under our Rule V, subd 7, respecting the compressor capacity of defendant's facilities which defendant's witness Allegier testified was limited to 4,100,000 cubic feet daily. This request has for its purpose the contradiction of the witness on a material fact and is based upon the theory that such testimony remains uncontradicted in this record. In support of the request complainant filed the affidavit of Melvin L. Franzel, one of complainant's engineers, who states that F. C. Meyers employed by defendant at its Shrewsbury plant said that his company could and intended to mix on peak days during the winter of 1947–48, 300,000 cubic feet of propane air per hour with 1,500,000 cubic feet of regularly manufactured gas so as to enable the company to throw into the lines a total sendout of 1,800,000 cubic feet of 800 B. T. U. gas per hour on such peak day.

Many of the allegations of the complaint are admitted in the defendant's answer and are not in issue. Among such are the allegations that the complainant is a Missouri corporation whose principal office is in University City in St. Louis county, Missouri, and is engaged in the business of the manufacture and sale of gas heating equipment; that the defendant is a public utility engaged in the manufacture, sale, and distribution of gas, and heating equipment, to the public in and about the city of St. Louis and the county of St. Louis in the state of Missouri; and that this Commission on April 22, 1947, issued its order, effective April 23, 1947, approving defendant's schedule of rules and regulations governing its supply of gas and service in St. Louis county, Missouri, which schedule reads as follows:

Rules and Regulations for St. Louis County, Mo.

The Mississippi River Fuel Corporation, the supplier of natural gas to this company, on April 1, 1947, filed with the Federal Power Commission,

a supplement to its rate schedule providing for "Emergency Service Rules and Regulations Governing Curtailments of Natural Gas" which drastically limits the volume of gas for delivery to this company during the winter heating season of 1947–48 and until May 1, 1948. By reason of these drastic limitations, the following rules and conditions of service will be enforced from and after the effective date.

During such time as the emergency above recited continues:

1. The company shall not be obligated to supply gas and may refuse service where gas heating equipment is used for the purpose of space heating in homes, stores, factories, or other buildings not presently using gas for such purpose, except a customer who has filed a bona fide application which has been accepted by the company prior to the effective date hereof, provided, however, that the company may, at its discretion, supply service for residential space heating when the refusal of such service will create an undue hardship or affect the health or well-being of the applicant.

2. The company shall not be obligated to supply gas and may refuse to render service for industrial purposes where gas is not presently used and shall have the right to curtail the deliveries of gas to its industrial customers, and commercial customers using straight natural gas, whenever, in its judgment, such curtailment shall be necessary for the maintenance of gas supply to its other customers, except that it may supply service in any case where the effect of curtailment would be to impair the health, safety, or well-being of the community.

3. If any customer shall connect or use any equipment or facilities contrary to the provisions of these rules and conditions of service, or shall connect any such equipment so as to use gas therein without obtaining the consent of the company, the company may discontinue the supply of gas to such customer for all purposes and shall withhold such supply until such customer shall disconnect such equipment and agree to make no further unauthorized use thereof.

Inasmuch as the selection of customers for curtailment is an operating problem, with respect to which no specific rules can be laid down in advance, such curtailment may be made by the exercise of judgment of the company officials and the general principle to be followed in the selection of customers to be curtailed will be (a) those that commonly use large quantities of gas (b) those who are not engaged in an activity essential to the safety, well-being, or health of the community (c) those that can be conveniently and readily utilized by the company to reduce any deficiency in gas supply.

Motion for Order on the Pleadings

The complaint charged, and the answer admits, that since the filing of said schedules the defendant has publicly announced, and has informed numerous residents of St. Louis county, that it would reject applications for gas supply for residential space-heating purposes during the coming winter season unless such applications had been accepted by defendant prior to April 23, 1947, except in cases of undue hardship or necessity because of

the health or well-being of the applicant.

At the inception of the hearing the complainant took the position that this admission of the defendant supports, without the need of evidence, its contention that this course of conduct of the defendant constitutes an unlawful discrimination between customers whose applications for gas for space heating had been approved prior to April 23, 1947, and the customers who may thereafter apply for gas for such purpose, and that this warrants our order to the defendant to cease and desist from refusing to serve these new customers. The complainant thereupon orally moved the Commission to issue such an order, which in the courts would be recognized as a motion for an order or judgment on the pleadings. The motion did not, as well it might have done, point out another admission by the pleadings that the complainant and other dealers in gas heating equipment have been and will be hampered in selling gas heating equipment to residents of St. Louis county who desire to purchase such equipment. This admission supports the complainant's interest in the matter in controversy. The member of the Commission who was hearing this case declined to rule upon said motion and announced that it would be taken with the case, which was done. This question of discrimination has been briefed and will be answered herein in ruling on the merits of this case, which, of necessity, must include the point.

Complainant's Contentions

The complainant contends that this gas restriction schedule filed with this Commission, and the defendant's practices pursuant thereto, are unlawful and arbitrary for these reasons, to wit:

(1) They discriminate between defendant's new and old customers within the same classification.

(2) They confer upon the defendant the arbitrary power to pick and to choose its customers according to its absolute discretion.

(3) They are unduly and unreasonably prejudicial and disadvantageous to St. Louis county and to the municipalities, unincorporated areas and the residents thereof, in violation of § 5645, Rev Stats Mo 1939.

(4) The defendant, unless the schedule is rescinded and the practices are stopped, will succeed in accomplishing certain purposes financially advantageous to itself and which are violative of its legal obligations as a public utility.

(5) Such schedule, and the practices thereunder, are unnecessary, unjustified, and unreasonable. We understand this assignment to mean, as argued in the brief, that the proof shows there will be an ample supply, and no shortage, of gas during the coming winter, or heating season, of 1947–48 requiring or making necessary the restrictions in the use of gas for space heating purposes as set forth in such schedule.

Defendant's Contentions

The defendant's contentions are:

(1) That the schedule filed and the Commission's order thereon are lawful in that the same do not provide for any undue or unreasonable preference to any person or locality, or subject any person or locality to any undue or unreasonable prejudice or disadvan-

tage. Section 5649, Rev Stats Mo 1939.

(2) That such schedule and this Commission's order making the schedule effective, and defendant's practices thereunder, are necessary, justifiable, and reasonable for the reason that on a zero day the demands of St. Louis county will be slightly higher than the 31,912,000 cubic feet of gas which is allotted to St. Louis county as the maximum quantity of gas which Mississippi River Fuel Corporation will deliver during any day under step 4 of Mississippi's Emergency Service Rules and Regulations for curtailment of gas.

(3) That, specifically (and partially a repetition of No. 1), such schedule, this Commission's order and the defendant's practices thereunder, are not unduly and unreasonably prejudicial and disadvantageous to St. Louis county and the municipalities, unincorporated areas and residents thereof.

It should be noted that the gas restrictions here involved restrict the use of gas for new space-heating customers and do not curtail the use of gas for general residential uses, such as cooking, lighting, and hot water heaters, to new customers.

1. *Finding of Facts*

After giving careful consideration to the evidence adduced and to all arguments made in briefs as to what the proof is and the interpretation to be placed thereon, we find the facts to be:

The Mississippi River Fuel Corporation, hereinafter called Mississippi, is a natural gas pipe-line company under the jurisdiction of the Federal Power Commission and supplies gas to the defendant, the Laclede Gas Light Company, hereinafter called Laclede, and five other utility customers. These are distributing companies and each in turn distributes gas to the inhabitants of a large number of towns and cities in Arkansas, Missouri, and Illinois. Over 50 per cent of Mississippi's sales of gas are direct sales made to its own customers. All of these utility distributing companies served by Mississippi, with the exception of Union Electric Power Company and of Laclede Gas Light—County Division, also supply industrial consumers with natural gas. Laclede acquired the St. Louis County Gas Company on the 28th day of February, 1947, and the term "county" or "county division" when used herein, means the facilities and the area of operation of the former St. Louis County Gas Company.

Mississippi, because of its inability to expand its facilities as rapidly as the expanding market demands and because of its experience of 1946–47, decided that a curtailment of service to its distribution customers was imperative, otherwise the load which these distribution companies might attach would exceed Mississippi's ability to deliver to them, and would thereby cause a failure of their distribution systems. There are nine to ten thousand customers in St. Louis county who are ready and willing to take space-heating gas if it were available. Their only source of supply is through the county division of the defendant, Laclede.

In March, 1947, a series of conferences were held in St. Louis, attended by some members of the Missouri, Illinois, and Arkansas Public Service

Commissions, members of the staff of the Federal Power Commission, members of the staffs of these state Commissions, and representatives of all of these distribution companies which are served by Mississippi. This meeting was held to discuss the problem arising from Mississippi's inability to construct additional facilities with the consequence that it would probably be unable to meet the requirements of the distribution companies if they continued to take on additional business. The representatives of the Federal Power Commission and of the Missouri and Illinois Commissions, which Commissions had had recent experiences with gas shortages, decided that Mississippi's available capacity ought to be and would be allocated on a basis of the loads to which the respective utilities were at that time committed and reduced to a day of a mean temperature of zero.

Pursuant to these conferences the Emergency Service Rules and Regulations Governing Curtailment of Natural Gas were filed by Mississippi with the Federal Power Commission and were put into effect as of April 1, 1947, by order of that Commission entered April 22, 1947.

The staff members of the state Commissions who had participated in these conferences agreed that they would recommend to their respective Commissions to urge, and if necessary require, the utilities to file restrictive rules and regulations because of the emergency that was found to exist and to recommend that the rules should be put into effect without delay to avoid unfair conditions. Thereafter, Laclede filed its Rules and Regulations or schedules (hereinbefore set forth) for St. Louis county and others in identical terms for the city of St. Louis. Both of these were ordered to become effective on Apil 23, 1947, by the Missouri Public Service Commission. This one for the county is the subject matter of this complaint.

Mississippi's "Emergency Service Rules and Regulations Governing the Curtailment of Natural Gas" direct that whenever it shall appear that the quantity of gas available for delivery to all customers of the company on its entire system or on section or sections thereof (between compressor stations) is less than, or is about to become less than, the aggregate demands of all customers on the system or section, then the company may, upon notice as thereinafter set forth, make and enforce curtailments of deliveries of gas, proceeding in four steps thereinafter set forth.

By step one, Mississippi suspends deliveries of gas to its own and to the distributing companies' interruptible customers. By step two, Mississippi and the five distributing companies which serve firm industrial users natural gas curtail their respective firm industrials by up to 60 per cent of their normal winter daily demand. By step three, Mississippi and the five distributing companies serving industrials curtail these industrials up to 80 per cent, "in order to protect the presently connected loads as of April 1, 1947, of the domestic and commercial customers of the distributing companies . . ."

These rules state that it is a condition of this step three, that each distributing company will seek from its respective state Commission authority to refuse to serve industrial and space-

heating customers to whom commitments had not already been made on April 1, 1947, and will take all other lawful steps necessary to avoid taking on any additional load of that character. In the event any distributing company increases its space-heating and firm industrial load above the load committed for on April 1, 1947, such increment shall not be considered in determining the need for curtailments of firm industrial customers under this step three, but the need for such curtailments shall be determined solely upon the basis of providing for the requirements for such customers as they existed on April 1, 1947, plus commercial and domestic loads, not including space heating.

By step four, such gas as is then available (i. e., after the invocation of step three) shall be apportioned among the distributing companies so as to avoid, if possible, the necessity of curtailment by any distributing company, but if that not be possible, then the maximum quantity of gas which Mississippi will deliver to any distributing company any day, including gas apportioned under step three, is specified. Under this step four, the amount of gas listed as the maximum for St. Louis County Gas Co. is 31,912,000 cubic feet, and for Laclede Gas Light Co., is 45,943,000 cubic feet.

The maximum amount listed under step four for St. Louis County Gas was arrived at by adjusting the load on last year's peak day in the county to a day of a mean temperature of zero, and by adding the requirements of the additional space heating which had been added or for which Laclede was committed to customers in the county division and in St. Louis county as of April 23, 1947 (the effective date of our order), which allocation was made at the insistence of the representatives of the Federal Power Commission and the representatives of the Missouri Commission, in order that the needs of the residents of St. Louis county to whom commitments were made prior to April 23, 1947, would be met in a way that on a day of zero there would not be a failure in the distribution system.

In estimating the amount of gas which should be provided in the area here involved, in order to prevent a shortage, it would not have been prudent to use any day warmer than a zero mean temperature day because this area during the heating seasons in the past has experienced many and successive days when the temperature was zero or below and a repetition of this kind of weather should be expected in future heating seasons.

The allocation of 31,912,000 cubic feet of gas for St. Louis county is the maximum, or the amount to be made available when the peak day (or zero day) will require it, and is not to be understood as a reserve or any guaranty that the amount allocated will be available every day. In order to meet that allocation requirement, the industrial loads must be cut off pursuant to the first three steps mentioned and as may be necessary. If all of the first three steps are invoked, the industrial loads to industries will be reduced to a point where the gas cannot be used by the industries in production but the plant and its processes will be preserved until there is a change in the situation.

Mississippi and Laclede each has industrial customers in the city of St.

Louis which are served with gas on an interruptible and on a firm basis. Laclede has no industrial customers in St. Louis county to yield to the curtailments set forth in steps one, two, and three.

Laclede has standby facilities consisting of ten tanks, each of 25,000 capacity, of propane gas. The gas system in St. Louis county is high pressure so that propane gas can be mixed with natural gas and compressed. This output is limited to the capacity of the compressors and Laclede cannot procure more compressors for fifteen months.

Laclede, on February 28, 1947, acquired the St. Louis County Gas Company and thereafter has operated in the area of the latter, in addition to its operations in the city of St. Louis, as a gas utility. The gas restriction orders of both the Federal Power Commission and this Commission resulted in the respective separate territorial allocations for the city and the county of sufficient gas to serve existing patrons and the new ones provided for in the schedules so as to equally protect those in both areas from the inroads upon the gas supply which would be made by new customers for space heating but for the restrictions in both areas against taking on new space heating customers. As between the city and the county areas these respective allocations will foster, rather than retard, equality in the treatment of patrons. Mississippi is not in a situation where it is possible to supply more natural gas at this time than has been so allocated with the approval of the Federal Power and this Commission, and the restrictions are effective until May 1, 1948.

The presently anticipated demands in St. Louis county, including the demands of its customers existing on April 23, 1947, and new customers thereafter added and to be added, but exclusive of new gas heating customers, will, on a day of zero mean temperature, slightly exceed this 31,912,000 cubic feet of natural gas even when it is augmented by the mixture above described, and this will result in some withdrawals from this standby service. Laclede's propane air standby equipment is no more than sufficient to provide for breakdowns, failure of natural gas supply, or weather colder than mean temperatures of zero.

If, perchance, we have failed in the foregoing to make any findings respecting any facts in dispute and relevant to the issues, such facts will be hereafter found and covered.

Opinion

Inasmuch as we have found the facts to be that this limited allotment of 31,912,000 cubic feet (maximum daily) of gas obtainable from Mississippi Fuel Corporation will not be sufficient to supply the present load demands in St. Louis county on days of zero or lower temperature and that all of the defendant's propane gas will be needed to supply the deficiency and also to serve for emergency or standby uses, there remains for our disposition only the questions of law arising out of the previously delineated situation.

1.

[1, 2] Respecting the law of this case, the complainant insists that under the undisputed facts the defendant is guilty of unlawful discriminations, in that it is granting preferences or

advantages to its old or existing customers by supplying gas to them for space heating while at the same time it is withholding gas for space heating to new and potential customers who are seeking or may seek it. Complainant insists that this practice constitutes a discrimination between customers of the same class and is *unlawful per se*.

Complainant cites many cases and § 5645, Rev Stats Mo 1939, in support of its position. The material part of such statute reads as follows:

"No gas corporation . . . shall make or grant any undue or unreasonable preference or advantage to any person . . . or locality or subject any person or locality . . . to any undue or unreasonable prejudice or disadvantage."

The cases so cited and relied upon by the complainant are State ex rel. Wood v. Consumers Gas Trust Co. (1901) 157 Ind 345, 61 NE 674; Indiana Nat. Gas & Oil Co. v. State ex rel. Armstrong (1904) 162 Ind 690, 71 NE 133; Vanderberg v. Kansas City Missouri Gas Co. (1907) 126 Mo App 600, 105 SW 17; Henry v. Butler (1921) 11 Mo PSC 360, PUR 1921D 341; Public Service Commission v. Iroquois Nat. Gas Co. (1919) 189 App Div 545, PUR1920B 888, 179 NYS 230, affirmed (1920) 229 NY 592, 129 NE 921; United Fuel Gas Co. v. Kentucky R. Commission, 278 US 300, 73 L ed 390, 396, PUR 1929A 433, 49 S Ct 150 and 51 CJ 7. Complainant also points out the fact that the antidiscrimination statute of New York existed when the New York Cases, *supra*, were decided and that our statute, § 5645, *supra*, is a copy thereof.

It may be conceded that these cases, upon varying facts and character of the actions, hold that an unlawful and actionable discrimination occurs when one of a class of customers is allowed gas service while others of the same class, and in the same area served by the gas utility, are denied such service; that a gas utility should not be allowed to pick and choose its customers and that while discrimination in *use* may be permissible, discrimination *between individuals* is not, for all should be treated alike. Some of the cases so held, notwithstanding gas shortages existed. The shortages were not shown to have been irremediable, which is the condition which here exists. In none of the cases relied upon were there restrictive orders of regulatory bodies upon which the utilities relied as is the situation herein.

We extend this discussion in order to point out what is being now done in other states to meet similar situations to that here involved. The two Indiana cases cited are from the supreme court of that state and may be regarded as the leading cases in this country on the subject of discrimination between those of the same class. The other cases follow their reasoning. However, the Indiana Public Service Commission on March 20, 1947, appears to have revised its rules and regulations respecting gas service so as to authorize the withholding of gas to new customers for space heating. Re Emergency Rules and Regulations, No. 19035, 68 PUR NS 570 (abstract).

The New York courts appear to be deviating somewhat from the earlier and above cited cases on this subject. People ex rel. Pennsylvania Gas Co. v. Public Service Commission, 196

App Div 514, PUR1922B 84, 189 NYS 478, *annulling* an order of the Public Service Commission of that state compelling a gas utility to supply gas to additional customers when the supply of gas was insufficient to serve present customers. In Leighton v. New York Teleph. Co. (1946) 187 Misc 132, 63 PUR NS 190, 61 NYS 2d 112, the Iroquois Case, *supra,* was distinguished. And the New York Public Service Commission in Re Brooklyn Union Gas Co. 66 PUR NS 379, on November 11, 1946, approved a schedule permitting the company to refuse to take on new space heating customers until April 1, 1947.

The Commission said (66 PUR NS at p. 387):

"From the testimony, it requires no serious argument to reach the conclusion that a temporary restriction on the use of gas for space heating is necessary. The demand for this type of heating has been shown to be of great and sudden proportions, with every indication that it will increase and not diminish, at least immediately. The company is unable to meet the demands as required. This has been due to necessary plant repairs, inability to secure equipment, and the need to expand the company's plant and facilities beyond what reasonably could have been anticipated, planned, and carried out under war and postwar conditions. With the coming of winter, the situation will be rendered more acute. The company cannot do the impossible."

Notwithstanding the Missouri Cases, *supra,* this Commission, in view of irremediable gas shortages, has entered other restrictive orders than the one here involved. In Re Gas Service Co. (1947) 68 PUR NS 155.

Other states have done likewise:

Illinois. Re Public Service Co. No. 34092, July 16, 1946; Re Peoples Gas Light & Coke Co. No. 34054, July 10, 1946; Re Western United Gas & E. Co. No. 34093, July 16, 1946, 64 PUR NS 579 (abstract).

Wisconsin. Re Milwaukee Gas Light Co. (1947) 67 PUR NS 126; also Ohio and Kentucky, but citations not available at the moment.

The Commissions in these other states, in making their gas curtailment orders to meet gas shortage emergencies, undoubtedly held that *reasonable* discriminations were permissible and that the antidiscrimination statutes were leveled against *unreasonable* preferences only, rather than universally and against all preferences irrespective of existing conditions. This is the view of this Commission as will presently appear. Precedents do not exist because Commission orders made during this gas shortage have not had time to reach the courts for reviews.

2.

Respecting the law, the defendant contends that § 5645, *supra,* does not prohibit all preferences or advantages but only prohibits the *"undue"* and *"unreasonable"* ones. It also contends that broad powers are conferred by law upon this Commission (Chap 35, Rev Stats Mo 1939). In its brief it cites State ex inf. Barker v. Kansas City Gas Co. (1914) 254 Mo 515, 163 SW 854, and State ex rel. Consumers Pub. Service Co. v. Public Service Commission (1944) 352 Mo 905, 54 PUR NS 71, 180 SW2d 40, and contends that our visitorial and administrative powers are vast and flexible and that

the public interest is involved in all our cases.

It will be noticed that the preferences and advantages sought to be prohibited by the statute (§ 5645) are the *undue* and *unreasonable* ones. The general assembly, in enacting the statute, must have foreseen the need of restricting the discriminations sought to be condemned to the *undue* and *unreasonable* ones rather than to enact a law which would utterly condemn all discriminations however slight, innocent, or trivial and irrespective of conditions. Experience should teach us that such statutes should be brought within a rule of *reason* and this is what we believe our lawmakers intended to do and did do here.

Examples of reasonable and unreasonable preferences could be given if the facts herein do furnish one, but we will add another. Suppose, for example, a water utility corporation serves the public generally in a given community and also furnishes the community its only fire protection. Now if the utility had a demand, during a period of an abnormal shortage of water, which could not have been anticipated or remedied for the time being and if the demands of new customers applying for water service, if satisfied, would impair or destroy the fire protection of the community and also the service to existing customers, who would say it would be an *unreasonable* discrimination against new customers, and therefore unlawful, to withhold water service from them until the emergency ends or could be remedied? Or, omitting fire protection from the example, would it be an *unreasonable* discrimination between the new and the old customers to withhold water service from the new customers until the emergency had passed or been remedied? That is exactly this case.

[3] The curtailment orders which the Federal Power Commission and this Commission have approved, are reasonable. If such restrictions respecting the use of gas for space heating are not established and enforced, and if new customers for gas for space heating should be added in substantial numbers, the pressure of the supply of gas in the gas lines, on zero or colder days, would be so lessened and reduced as to impair, if not utterly destroy, the use of gas by the old and the new customers alike. This would be detrimental to the existing customers and it would be of no practical benefit to the new ones. The new ones do not now have this service and the result of an annulment of our orders, as sought herein, would be to deprive the existing customers of their service and would confer a right of doubtful, or no, value to the new customers. From a practical standpoint, the new customer, after such an annulment and the influx of new customers, would still be without this service just as he is now.

The law undertakes to look to the good of all and the public interest is usually involved in every case before us and certainly is in this one. Often one, or a group, must yield their interests in order that the public welfare may be promoted. Forceful examples have come out of the experiences of the centuries past. One is that it is reasonable and lawful to demolish one's building lying in the path of a conflagration in order thereby to check the fire and to save the property of others or the city from destruction. An-

other is one which deprives a citizen of his liberty in order to prevent the spread of his contagious malady to others.

This Commission felt impelled to approve these curtailment rules and regulations, as being in the public interest. After hearing this well-tried and ably briefed case, we feel that the rule should be continued in force until its expiration date, May 1, 1948.

In the decision herein it will be noted that we have proceeded upon the assumption that there will be days during this coming winter of 1947–48, when the temperature in St. Louis county will be zero or below. Weather records of the past support and sustain such an assumption. Of course there is the possibility that weather of such violence might not occur in that locality during this winter, but, since such days have been experienced there in the past, it is not safe to assume as a certainty that the temperature in that locality will never go to zero or less during this winter and upon any such assumption revoke the rule.

Of course it should be further understood that the rules and regulations in question deal only with furnishing gas to new customers for space heating and that gas to new customers for general domestic uses, such as cooking, lighting, and water heating, is not involved herein nor curtailed by the challenged orders.

Our final and separate conclusions of law will follow after disposing of other matters next to follow.

3.

Complainant indicated an anxiety for a speedy determination of this case and we are in entire accord with that suggestion. In its reply brief the complainant asked us to send our engineers to determine the defendant's compressor facilities. Aside from the tardiness of the request and its obvious purpose to gather evidence to impeach that of another witness, we are of the opinion that if allowable it might require more time to do this than the complainant anticipates. In our opinion, it is preferable to get this decision out promptly, to the end that it may be promptly reviewed if the party so desires, rather than to slow up the issuance of this decision to await the engineers' report, with the reopening of the case for its reception, the resulting cross-examination, and other possible evidence to support the witness, the accuracy of whose testimony may be regarded as being challenged. The request will be overruled.

4.

Complainant's motion made at the outset of the hearing (on the basis of the facts stated and admitted by the pleadings) for our orders canceling our order approving such schedule and ordering the defendant to cease and desist from refusing to serve the new customers, will be overruled. It will be observed that we have disagreed herein with the complainant that the law warrants such orders under the circumstances here involved.

Conclusions of Law

1. It is the conclusion of this Commission that the meaning of § 5645, Rev Stats Mo 1939 (in so far as it is applicable here) is to prohibit only the preferences and advantages to one of a class of customers over that of others

of the same class which are *unreasonable* and the section does not mean that *reasonable* preferences cannot be made under the sanction of this regulatory body upon facts and circumstances showing the same are in fact reasonable.

[4] 2. It is our further conclusion that Chap 35, Rev Stats Mo 1939, creating this Commission, confers the power upon this Commission as a regulatory measure to authorize and to permit a gas corporation to curtail the use of gas under operating rules during any emergency reasonably warranting it upon evidence of the necessity therefor in order to preserve the service and for a minimum limit of time requisite to accomplish such purpose.

SECURITIES AND EXCHANGE COMMISSION

Re South Carolina Electric & Gas Company et al.

File No. 70-1362, Release No. 7944
December 19, 1947

APPLICATION *for approval of amendment of escrow agreement to afford limited voting rights to escrowed subsidiary stock; granted.*

Corporations, § 18 — Securities held by escrow agent — Limitation on voting rights.

1. Where the voting rights of an escrow agent holding stock of a subsidiary (to be distributed in holding company simplification) are limited to matters not connected with management or direction of the affairs of the subsidiary, the stock does not constitute "voting securities" within the meaning of § 2(a)(17) of the Holding Company Act, 15 USCA § 79b(a)(17), for the purpose of determining whether the holding company would become either a holding company or an affiliate of the subsidiary as defined in §§ 2(a)(7) or 2(a)(11) of the act, 15 USCA § 79b(a)(7), (11), p. 143.

Corporations, § 18 — Stock escrow agreement — Voting rights of escrow agent.

2. An agreement providing that a holding company shall deposit with an escrow agent shares of stock of a subsidiary, for distribution under a simplification plan, and providing that the escrow agent shall not exercise any voting power, may be amended to permit a vote on matters requiring the affirmative vote of the holders of two-thirds of outstanding common stock where such affirmative vote might be required by statute, the certificate of incorporation, or the bylaws of the company, p. 143.

By the COMMISSION: By orders entered September 26, 1946, and October 31, 1946, this Commission approved a joint application-declaration, as amended, pursuant to the provisions of the Public Utility Holding Company Act of 1935, wherein, among other things, General Public Utilities Corporation ("GPU"), a registered holding company proposed to distribute to its stockholders its holdings of the common stock of South Carolina Electric & Gas Company ("South Carolina"), at that time an indirect subsidiary of GPU.[1] Such distribution was effected by means of a capital dividend on the basis of one share of the common stock of South Carolina for each ten shares of the common stock of GPU. In connection with such distribution of such stock the divestment of which had been directed by this Commission under the provisions of § 11(b)(1) of the act, 15 USCA § 79k(b)(1),[2] it was recognized that a special situation existed with respect to the security holders of Associated Gas and Electric Company ("Ageco") and Associated Gas and Electric Corporation ("Agecorp"), who were entitled to receive the common stock of GPU pursuant to the plan of reorganization of those companies approved by this Commission pursuant to the provisions of § 11(f) of the act and the United States district court for the southern district of New York pursuant to Chapter X of the Bankruptcy Act and who at that time had not surrendered their participating Ageco or Agecorp securities for exchange into the common stock of GPU. The distribution program, accordingly, provided that GPU would deposit with City Bank Farmers Trust Company, as escrow agent, the shares of stock of South Carolina which the participating security holders of Ageco or Agecorp would be entitled to receive upon surrender of their participating securities. At that time, in order that there might be no question that GPU would any longer be in a position to participate in the direction or management of the affairs of South Carolina or that GPU had complied with the § 11(b)(1) divestment order, the escrow agreement provided that the escrow agent would not exercise any voting power, or grant any proxy with respect to any of the common stock of South Carolina held by the escrow agent.

[1, 2] GPU has now filed a post-effective amendment to the application-declaration, wherein it points out that it has been advised that such provision precluding the voting of the escrowed common stock might seriously hamper South Carolina in securing the affirmative vote of the holders of two-thirds of its outstanding common stock where such affirmative vote might be required by statute, the certificate of incorporation or the bylaws of the company. The post-effective amendment points out that at the close of business on October 31, 1947, the escrow agent held on deposit, for the purposes above mentioned, a total of 62,482.74 shares of the common stock of South Carolina, which represents approximately 7.73 per cent of the outstanding common stock. If such stock

[1] Re South Carolina Electric & Gas Co. Holding Company Act Release Nos. 6915 and 6969, Sept. 26, Oct. 31, 1946.

[2] See Re Driscoll and Thorp, Trustees of Associated Gas & E. Corp. (1942) 11 SEC 1115, 45 PUR NS 141.

continues to be completely sterilized, it will be necessary to obtain the affirmative approval of the holders of approximately 72.25 per cent of the remaining common stock of South Carolina. Accordingly, GPU seeks authority to amend the escrow agreement to provide that the escrow agent will not exercise any voting power, or grant a proxy with respect to any of the common stock held by it, except that, upon receiving written instruction from GPU so to do, it will vote or grant a proxy for the voting of such common stock provided such proxy is limited to voting only upon such propositions or matters which by statute, certificate of incorporation, or bylaws may be adopted only upon obtaining the affirmative vote of the holders of not less than two-thirds of the outstanding common stock of South Carolina.

As indicated, at the time when GPU distributed its holdings of the common stock of South Carolina, both GPU and this Commission were principally concerned with insuring that the escrowed common stock of South Carolina would not be held in such a fashion as to entitle GPU to vote such shares in the direction or management of the affairs of South Carolina. It appears that, at that time, no consideration was given to special circumstances such as here presented whereby the sterilization of such escrowed stock might seriously hamper South Carolina in effecting transactions which required the affirmative vote of the holders of two-thirds of its common stock. The proposed amendment to the escrow agreement would, as indicated, limit the voting by GPU of the escrowed shares to matters not connected with the direction or management of the affairs of South Carolina. So limited, the common stock of South Carolina held by the escrow agent will not constitute "voting securities" as defined by § 2(a)(17) of the act, 15 USCA § 79b(a)(17), and, therefore, such common stock would not be deemed to be "voting securities" in determining whether GPU would become either a holding company, or an affiliate, of South Carolina as defined in §§ 2(a)(7) or 2(a)(11) of the act. Accordingly, it appears that the proposed amendment will not defeat the original purpose of this aspect of the escrow agreement, and it is therefore

Ordered that said post-effective amendment be, and the same hereby is, approved and permitted to become effective forthwith.



Industrial Progress



A digest of information on new construction by privately managed utilities; similar information relating to government owned utilities; news concerning products, supplies and services offered by manufacturers; also notices of changes in personnel.

West Penn Electric Has $40,000,000 Program

TO TAKE care of its sharply expanding load, West Penn Electric Company has under way an extensive expansion program. This calls for putting in operation late this year the first 80,000-kilowatt generating unit at the new Mitchell plant of the West Penn Power Company subsidiary. Monongahela Power Company is expected to have a 50,000-kilowatt unit in operation early next year, and Potomac Edison Company plans to put a new 35,000-kilowatt unit on the line late in 1949.

Cost of the system construction program is tentatively set at around $40,000,000 for 1948.

Oklahoma Public Service Has Large Expansion Program

PUBLIC SERVICE COMPANY OF OKLAHOMA has underway a $28,000,000 expansion program, according to C. N. Robinson, vice president. This program was started last year and is expected to be completed by the end of 1951. It will affect all phases of the company's operations in Oklahoma.

Approximately $18,000,000, or about 66 per cent of the total expenditure, will be invested in transmission and distribution facilities and the balance will be for improvements and enlargements to the company's electric generating plants.

On completion of the program, Public Service of Oklahoma will have generating capacity of 243,995 kilowatts. This will be an increase of about 72 per cent over the 141,321 kilowatts at the end of 1946.

Temperature Limiting Switch Developed by Hart Mfg. Co.

A TEMPERATURE limiting switch has been developed by The Hart Manufacturing Company, 150 Bartholomew avenue, Hartford, Connecticut, as a safety device for electrically controlled water heaters and for other applications where operating temperatures must be limited.

Designed to disconnect an operating or heater circuit below the temperature which would cause the ordinary pressure valve to operate, the switch forestalls escape of steam or boiling water, thus eliminating danger of personal injury or damage to property.

With ratings up to 30 amperes at 250 volts, a.c., the switch is built to give dependable service whenever needed. It has been tested and approved by Electrical Testing Laboratories and is listed by Underwriters' Laboratories, Inc.

Waterproof Lineman's Suit Introduced by Interstate

THE INTERSTATE MANUFACTURING COMPANY of Hudson, Massachusetts, has introduced a two-piece waterproof lineman's suit. This suit is resistant to rain, wind, hail, and sleet and is lightweight and roomy. Made from double textured fabric, heat cured, it is designed to be worn over regular clothing.

Developed from specifications submitted by the engineering departments of several light and power companies and approved as standard equipment, the manufacturer guarantees the suit to meet all approved safety tests. Interstate offers samples for approval and prompt delivery.

Lineman waterproof accessories include clothing bags, glove bags, and small part pouch.





MAXIMUM CONTACT provided by V-groove. Conductors protected by bevelled slot.

PRECISION MADE, with rigid inspection. Smooth accurate threads assure maximum pressure — permanently maintained.

For taps, dead-ends, parallel connections, etc., in any location. Can be furnished in bronze or aluminum. Re-usable over and over.

PENN-UNION ELECTRIC CORP.
ERIE, PA. *Sold by Leading Wholesalers*

The COMPLETE Line of Conductor Fittings.

PENN-UNION
CONDUCTOR FITTINGS

For catalog and prices write to National Sales Representatives, Hatheway & Patterson Company, Inc., 100 South Bay avenue, Boston, Massachusetts, or 75 Montgomery street, Jersey City 2, New Jersey.

Union Electric Plans Large Expansion Program

THE UNION ELECTRIC COMPANY OF MISSOURI plans to spend $136,000,000 for the five-year period of 1948-1952 for additional electric generating and distribution facilities. Of this sum, $57,000,000 would be spent through Union Electric of Missouri and $79,000,000 through its subsidiary, Union Electric Power Company, operating in Illinois.

The five-year construction program is divided as follows: 1948, $21,960,000; 1949, $27,290,000; 1950, $41,568,000; 1951, $25,644,000; and 1952, $19,538,000.

Cleveland Electric Has $105,000,000 Program

CLEVELAND ELECTRIC ILLUMINATING COMPANY has ordered an additional 75,000-kilowatt generator for installation in 1951 in its Lake Shore power plant, it was announced recently by Elmer L. Lindseth, president. This is the fourth generator which the company has on order.

Including the fourth generator just ordered and numerous other projects, Cleveland Electric Illuminating Company's construction program now totals $105,000,000, according to Mr. Lindseth.

Folder Describes New Domestic Incinerator

ELECTROCAP MOLD COMPANY has issued a folder describing its new domestic incinerator, the "Gar-Disposal." This unit is covered by United States patents and embodies a new principle for disposing of all garbage and rubbish with a dehydrating down-draft action which is said to provide a healthful, sanitary, convenient, economical, and odorless operation. The Gar-Disposal is attractively designed, simply installed, and may be operated by gas or electricity.

Production was recently started on this unit after going through the American Gas Association Laboratories and receiving their AGA approval.

Copies of the descriptive folder may be obtained from the manufacturer, 115 East Carson street, Pittsburgh 19, Pennsylvania.

Wire Rope Price List

L. B. FOSTER COMPANY, Box 1647, Pittsburgh 30, Pennsylvania, has recently published a new general price list on wire rope purchased from the War Assets Administration. For copies, write to the nearest L. B. Foster office requesting folder No. F-109.

serve growing electric loads economically with system planning!

Here's how EBASCO engineers can help you plan the expansion of your system—to serve adequately present and expected loads and be readily adaptable to potential growth and technological advances. They take all factors into account, assuring you minimum overall operating costs and maximum useful life.

EBASCO specialists study your present system, markets, load growth and customer service requirements. They coordinate the planning of required additions and revisions to the three components of the system—*power supply — transmission — distribution*. They bring a fresh *objective* approach and application of advanced practices to each problem they tackle—along with diversified experience in the development and operation of all types of utility systems and power pools.

EBASCO engineers will develop several alternative plans with comparisons of investments, investment costs, operating costs, evaluated service and other factors. You get a complete report on which management can act with assurance. It advises you on *when*, *what* and *where* to build. *Write for a booklet describing* EBASCO *services and facilities.*

EBASCO SERVICES
INCORPORATED
TWO RECTOR STREET
NEW YORK 6, N. Y.

ENGINEERS · CONSTRUCTORS · BUSINESS CONSULTANTS EBASCO

Accounting • Appraisal • Budget • Consulting Engineering • Corporate Finance • Design & Construction • Industrial Relations Inspection & Expediting • Insurance • Purchasing • Rates & Pricing • Research • Sales & Marketing • Taxes • Traffic

This page is reserved under the* MSA PLAN *(Manufacturers Service Agreement)



SECURITY QUIZ
for MANAGEMENT MEN

Can you answer these important questions?

How many of your employees are buying U. S. Security Bonds regularly via the Payroll Savings Plan? (35% to 50% of employees buy Security Bonds on the Payroll Savings Plan in those companies in which top management backs the Plan.)

● *How does their average holding compare with the national average?* (The national average among P.S.P. participants is $1200 per family.)

● *Why is it vital that you get behind the Payroll Savings Plan?* Every Security Bond dollar that is built up in the Treasury is used to retire a dollar of the nations! debt that is potentially inflationary. Moreover, every Security Bond held by anyone means fewer dollars go to market to bid up prices on scarce goods.

● *What direct benefits are there for your company?* In 19,000 industrial concerns operating Payroll Savings, employees are more contented. Worker production has increased, absenteeism has decreased—even accidents have been fewer!

Security Bonds at maturity pay $4 for every $3 invested.

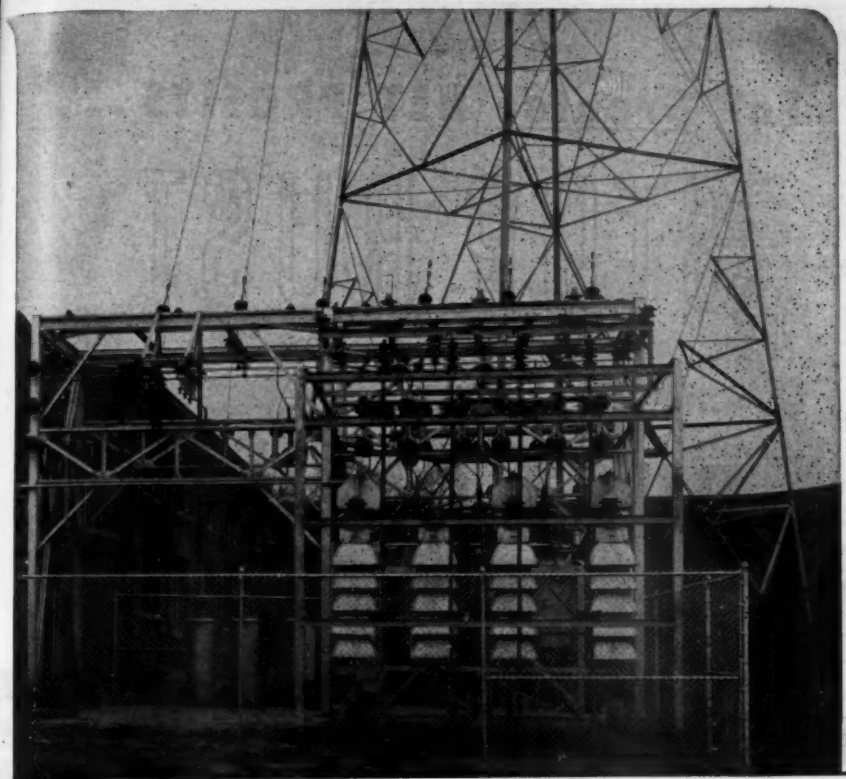
● *What do you have to do?* The Treasury has prepared a kit of material for you to distribute among key men in your company. This is your part in the all-out campaign—starting April 15—for *America's economic security.* Use your kit!

For help, call your Treasury Department's State Director, Savings Bonds Division.

The Treasury Department acknowledges with appreciation the publication of this message by

PUBLIC UTILITIES FORTNIGHTLY

This is an official U. S. Treasury Advertisement prepared under the auspices of the Treasury Department and the Advertising Council.



For dependable power and performance you can always trust *EXIDE BATTERIES*

In central stations and sub-stations throughout the country thousands of Exide Batteries are ready to respond instantly to every power demand. They are being used for control bus and switchgear operation, emergency lighting, many other storage battery tasks. Whatever the job, you can always trust Exide Batteries for peak performance and maximum battery economy.

Exide Batteries have earned the confidence of engineers everywhere. Their widespread use is proof of their dependability, long life and ease of maintenance.

Whatever your storage battery problems may be, Exide engineers will be glad to help you solve them.

Exide
BATTERIES

THE ELECTRIC STORAGE BATTERY COMPANY, Philadelphia 32
Exide Batteries of Canada, Limited, Toronto

This page is reserved under the **MSA PLAN** *(Manufacturers Service Agreement)*

For Greater NET PROFITS...

STOP RUST

with

RUST-OLEUM!



TURN RUST LOSSES INTO DIVIDENDS

You can show greater profits regularly because you save on maintenance costs by using Rust-Oleum rust preventive coatings. Indoors or out — wherever rust threatens — *Rust-Oleum eliminates rust losses.* IT CAN BE APPLIED DIRECTLY OVER RUSTING METAL — *by brush, dip or spray,* and eliminates costly, needless surface preparations such as sand-blasting and chemical rust dissolvers.

Rust-Oleum adds years of extra service to all metal equipment, buildings, towers, tanks, etc. *It cuts annual loss due to exposure to weather sharply.* Rust-Oleum provides lasting protection by forming a tough, weatherproof, elastic film that resists water, dampness, fumes, heat and other destructive rust-forming elements.

Please pass this advertisement along to the proper person in your organization who is in charge of maintenance. We'll be glad to have an opportunity to make a demonstration and show how to cut costs on your maintenance to increase profits.

Available in all colors and aluminum
DISTRIBUTORS IN PRINCIPAL CITIES

THIS BOOK TELLS YOU HOW



Write today for your copy. Every utility official should read this.

RUST-OLEUM CORPORATION

2457 OAKTON STREET EVANSTON, ILL.

This page is reserved under the **MSA PLAN** *(Manufacturers Service Agreement)*

PEOPLES UTILITY COMPANY

BILL ANALYSIS - Residential
PERIOD - Year 1946 RATE - R - 1

Kw.Hrs.	No.Bills	Consumption in Kw.Hrs.	CUMULATIVE No.Bills	CUMULATIVE Consumption in Kw.Hrs.	Consolidated Factor
0	1644	0	1644	0	0
1	575	575	2219	575	343920
2	489	978	2708	1553	687265
3	449	1347	3157	2900	1030121
4	429	1716	3586	4616	1372528
5	413	2065	3999	6681	1714506
6	415	2490	4414	9171	2056071
7	434	3038	4848	12209	2397221
8	454	3632	5302	15841	2737937
9	418	3762	5720	19603	3078199
10	458	4580	6178	24183	3418043
11	391	4301	6569	28484	3757429
12	437	5244	7006	33728	4096424
13	469	6097	7475	39825	4434982
14	467	6538	7942	46363	4773071
15	491	7365	8433	53728	5110693
16	537	8592	8970	62320	5447824
17	542	9214	9512	71534	5784418
18	549	9882	10061	81416	6120470
19	541	10279	10602	91695	6455973
20	605	12100	11207	103795	6790935
21	595	12495	11802	116290	7125292
22	607	13354	12409	129644	7459054
23	602	13846	13011	143490	7792209
24	654	15696	13665	159186	8124762
25	600	15000	14265	174186	8456661
26	658	17108	14923	191294	8787960
27	653	17631	15576	208925	9118601
28	734	20552	16310	229477	9448589
29	692	20068	17002	249545	9777843
30	726	21780	17728	271325	10106405
290	451	130790	281885	37899547	56366457
291	409	119019	282294	38018566	56430136
292	409	119428	282703	38137994	56493406
293	415	121595	283118	38259589	56556267
294	412	121128	283530	38380717	56618713
295	403	118885	283933	38499602	56680747
296	377	111592	284310	38611194	56742378
297	400	118800	284710	38729994	56803632
298	384	114432	285094	38844426	56864486
299	384	114816	285478	38959242	56924956
300	396	118800	285874	39078042	56985042
301 350	16421	5315086	302295	44393128	59337278
351 400	11248	4205570	313543	48598698	61407098
401 450	7712	3269313	321255	51868011	62807061
451 500	5499	2603788	326754	54473799	63878799
501 600	6916	3773512	333670	58247311	65383711
601 700	3925	2534235	337595	60781546	66359846
701 800	2399	1793920	339994	62575466	67031466
801 900	1460	1254673	341454	63830139	67508139
901 1000	1026	973139	342480	64783278	67867278
1001 1200	1193	1290558	343673	66083136	68352336
1201 1400	607	781300	344280	66864436	68662036
1401 1600	409	609631	344689	67474067	68874067
1601 1800	232	391658	344921	67865725	69023123
1801 2000	176	333132	345097	68198857	69132857
2001 2500	232	510458	345329	68709315	69296815
2501 3000	97	261402	345426	68970717	69384717
3001 4000	76	260083	345502	69230800	69478800
4001 5000	38	167649	345540	69398449	69518449
5001 6000	11	59289	345551	69457738	69533738
6001 7000	7	45379	345558	69503117	69543117
7001 8000	4	29369	345562	69532486	69548486
8001 9000			345562	69532486	69550486
9001 10000	2	18842	345564*	69551328*	69551328*

ILLUSTRATION OF TYPICAL BILL ANALYSIS

DATA OF THIS TYPE—analyzing a utility's bills—often discloses certain trends which are of considerable value in planning rate and promotional programs.

Note the various tabulations that have been made for each kilowatt hour—from 0 to 10,000.

Many utilities throughout the country have statistics of this type prepared for them, outside their own offices, on equipment especially designed for this specific purpose.

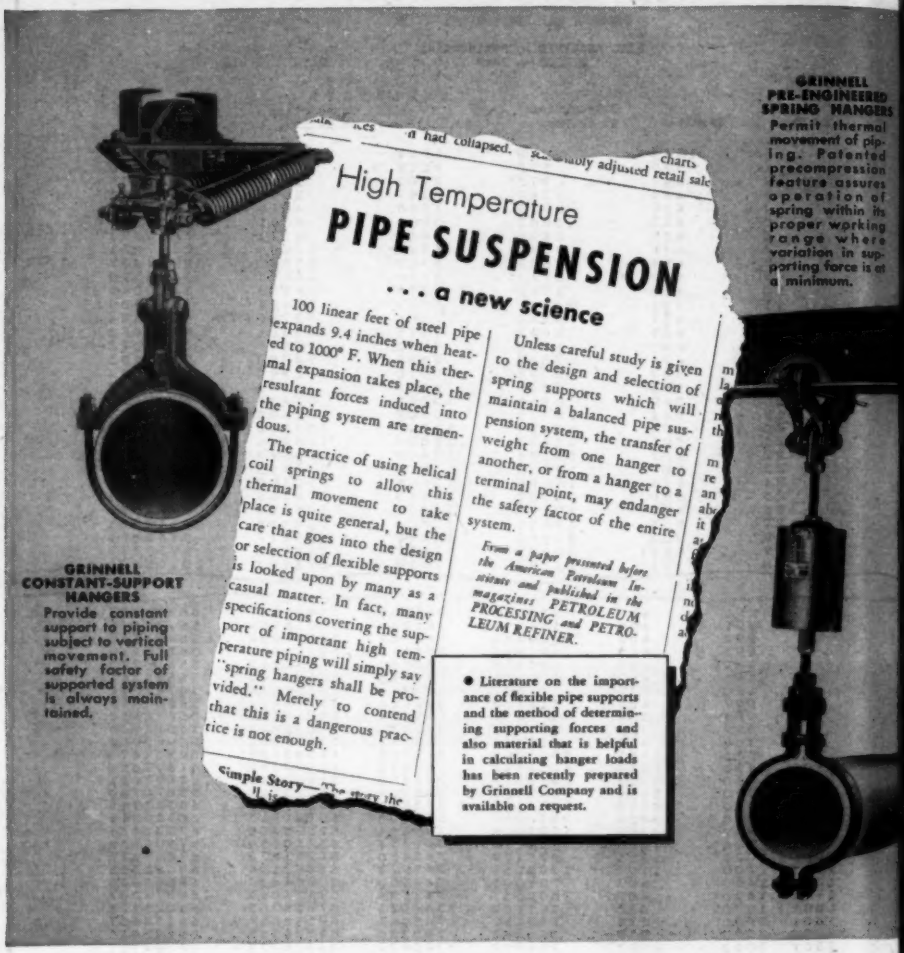
Through this unique service your bills can be analyzed in half the usual time, and at half the usual cost.

Send for free, illustrated booklet

"THE ONE STEP METHOD OF BILL ANALYSIS"

Write to: RECORDING AND STATISTICAL CORPORATION 102 Maiden Lane, New York 5, N. Y.

This page is reserved under the MSA PLAN (Manufacturers Service Agreement)



A TYPICAL EXAMPLE OF GRINNELL PIPING SERVICE
COMPLETE . . . EVERYWHERE

GRINNELL COMPANY, INC.
Providence 1, R. I.

BRANCH WAREHOUSES

Atlanta 2, Ga.	Kansas City 16, Mo.	Philadelphia 34, Pa.
Charlotte 1, N. C.	Long Beach 10, Cal.	Sacramento 14, Cal.
Chicago 9, Ill.	Los Angeles 13, Cal.	St. Louis 10, Mo.
Cleveland 14, O.	Milwaukee 3, Wis.	St. Paul, Minn.
Cranston 7, R. I.	Minneapolis 15, Minn.	San Francisco 7, Cal.
Fresno 1, Cal.	New York 17, N. Y.	Seattle 1, Wash.
Houston 1, Tex.	Oakland 7, Cal.	Spokane, Wash.

GRINNELL
FOUNDED 1850
WHENEVER PIPING IS INVOLVED

This page is reserved under the MSA PLAN (Manufacturers Service Agreement)

CRESCENT

ABC

Armored Cable

Has These Improved Features

Which Result in

INCREASED SAFETY and LOWER COST



BOND STRIP UNDER ARMOR

Permanently low armor resistance is provided in sizes No. 14 and 12 AWG by use of a flattened, bonding wire which is in contact with the under side of each convolution. These sizes now are smaller and lighter, since they use the smaller diameter Type R conductors of the 1947 National Electrical Code.

PREFABRICATED BREAK LINES

The Cut Mark (at 1½" intervals) shows the location of a prefabricated breaking line inside the armor. Only a few strokes of a file guided by the Cut Mark are required to cut through one outer ridge, and a bend by hand severs the armor. This results in a clean separation with no sharp edge—a safer, easier and faster job. The prefabricated breaking lines are so designed that there is *no reduction* in tensile strength, bending quality, crushing resistance and electrical conductivity of armor.

In the last 20 years alone over SIX BILLION FEET of Armored Cable have been installed.

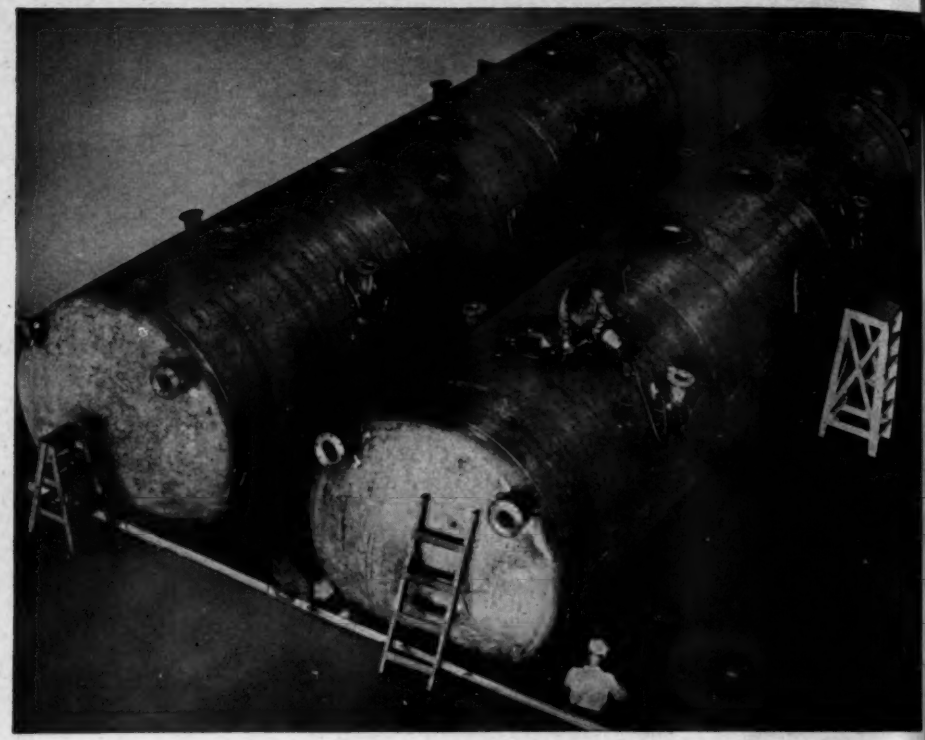
CRESCENT

WIRE and CABLE

CRESCENT INSULATED WIRE & CABLE CO.

TRENTON, N. J.

This page is reserved under the **MSA PLAN** *(Manufacturers Service Agreement)*



PRESSURE VESSELS

Two 38-1/2 foot vacuum tank casings after completion of fitting and welding. Seventy of these tanks with an outside diameter of 9 feet 11 inches were part of recent pressure vessel production at Newport News.

Complete facilities available for construction of large pressure vessels.

Large Valves

Castings ***Forgings***

NEWPORT NEWS SHIPBUILDING AND DRY DOCK COMPANY

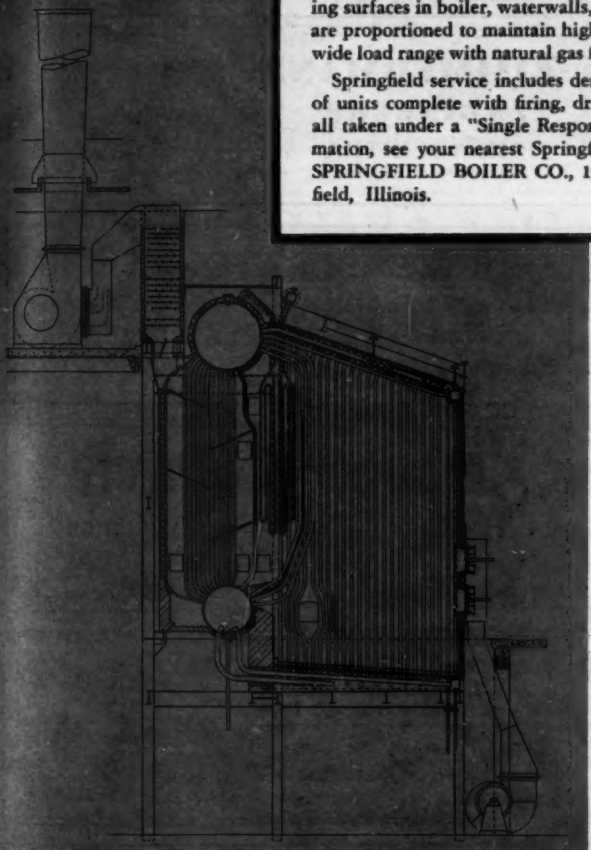
NEWPORT NEWS, VIRGINIA

This page is reserved under the **MSA PLAN** *(Manufacturers Service Agreement)*

MODERN STEAM GENERATORS

THIS new Springfield unit is a typical example of the modern, economical designs Springfield is building for generating plant service in locations extending throughout the country. Springfield's engineering experience covers a complete range of capacities, pressures, and temperatures. This particular unit is designed to produce 40,000 lbs. of steam per hour at 425 p.s.i. and 750°F. steam temperature at superheater outlet. The heating surfaces in boiler, waterwalls, superheater, and economizer are proportioned to maintain highest possible efficiency over a wide load range with natural gas firing.

Springfield service includes design, fabrication and erection of units complete with firing, draft, and control equipment—all taken under a "Single Responsibility" contract. For information, see your nearest Springfield representative or write: SPRINGFIELD BOILER CO., 1960 E. Capitol Ave., Springfield, Illinois.



WORLDWIDE SALES AND SERVICE

NEW YORK • PHILADELPHIA
CHICAGO • SAN FRANCISCO
WASHINGTON, D. C. • DETROIT
ST. LOUIS • CINCINNATI
SALEM, MASS. • HOUSTON
MEXICO, D. F. • BUENOS AIRES
Export: READING, PA.

SPRINGFIELD BOILER CO.

1960 E. Capitol Ave.
Springfield, Illinois

This page is reserved under the **MSA PLAN** *(Manufacturers Service Agreement)*

PROFESSIONAL DIRECTORY

• This Directory is reserved for engineers, accountants, rate experts, consultants, and others equipped to serve utilities in all matters relating to rate questions, appraisals, valuations, special reports, investigations, design, and contruction. » » »

THE AMERICAN APPRAISAL COMPANY

ORIGINAL COST STUDIES • VALUATIONS • REPORTS
for
ACCOUNTING AND REGULATORY REQUIREMENTS

NEW YORK WASHINGTON CHICAGO MILWAUKEE SAN FRANCISCO
and other principal cities

DAY & ZIMMERMANN, INC.

ENGINEERS

NEW YORK PHILADELPHIA CHICAGO
PACKARD BUILDING

ELECTRICAL TESTING LABORATORIES, INC.

Electrical and General Testing—Inspections—Research—Certification

2 EAST END AVENUE AT 79th STREET, NEW YORK 21, N. Y.
BUtterfield 8-2600

F B&D

Ford, Bacon & Davis

VALUATIONS REPORTS Engineers CONSTRUCTION RATE CASES

NEW YORK • PHILADELPHIA • CHICAGO • LOS ANGELES

GILBERT ASSOCIATES, INC.

ENGINEERS
Steam, Electric, Gas, Hydro, Designs and Construction, Operating Betterments, Inspections and Surveys, Feed Water Treatment.

POWER ENGINEERING SINCE 1906
Serving Utilities and Industrials
Reading • Philadelphia
Washington • New York

SPECIALISTS
Purchasing and Expediting, Rates, Research, Reports, Personnel Relations, Original Cost Accounting, Accident Prevention.

FREDERIC R. HARRIS, INC.
FREDERIC R. HARRIS ENGINEERING CORPORATION
FREDERIC R. HARRIS FREDERICK H. DECHANT
ENGINEERS

Reports *Designs* *Management*
NEW YORK
Atlanta Knoxville Philadelphia San Francisco

Mention the FORTNIGHTLY*—It identifies your inquiry*

PROFESSIONAL DIRECTORY *(continued)*

HOOSIER ENGINEERING COMPANY

Erectors of Transmission Lines

1384 HOLLY AVENUE • COLUMBUS, OHIO

The Kuljian *Corporation*

ENGINEERS — CONSTRUCTORS

1518 Walnut Street, Philadelphia 2, Pa.
New York 6 Washington 5

WILLIAM S. LEFFLER

Engineers Associated

Management Consultants

Cost Analyses for Rate Revisions Regulatory and Municipal Problems
Rate and Sales Research for Increased Operating Income

NOROTON CONNECTICUT

LOEB AND EAMES

Public Utility Engineers and Operators
Ice and Refrigeration

Valuations, investigation reports, design and supervision of construction

57 WILLIAM STREET NEW YORK

N. A. LOUGEE & COMPANY

(SUCCESSORS TO J. H. MANNING & COMPANY)

REPORTS — APPRAISALS — DEPRECIATION STUDIES
RATE CASES — BUSINESS AND ECONOMIC STUDIES

120 Broadway New York

CHAS. T. MAIN, INC.

Power Surveys—Investigations—Valuations—Reports
Steam, Hydro Electric and Diesel Plants

Boston 10, Mass. - - - Washington, D. C.

(Professional Directory Continued on Next Page)

PROFESSIONAL DIRECTORY *(continued)*

Pioneer Service & Engineering Co.

CONSULTING, DESIGNING AND
OPERATING ENGINEERS
PURCHASING

SPECIALISTS IN
ACCOUNTING, FINANCING, RATES,
INSURANCE AND DEPRECIATION

231 SOUTH LA SALLE STREET — CHICAGO 4, ILLINOIS

Complete Services for GAS and ELECTRIC Utilities

DESIGNING • ENGINEERING • CONSTRUCTION
PIPING • EQUIPMENT • SURVEYS • PLANS

Complete Plants, Additions or installations . . . every detail geared to more profitable operation.

See Sweets Files, Refinery Catalog, etc., for details

J.F. Pritchard & Co.
ENGINEERS • CONSTRUCTORS • MANUFACTURERS
FIDELITY BUILDING, KANSAS CITY 6, MISSOURI

SANDERSON & PORTER
ENGINEERS
AND
CONSTRUCTORS

S&P

Sargent & Lundy
ENGINEERS
Steam and Electric Plants
Utilities—Industrials
Studies—Reports—Design—Supervision
Chicago 3, Ill.

E. A. STEINBERGER
Consulting Valuation Accountant and Engineer
Depreciation Studies, Original Cost Accounting,
Valuations and Unitization of Gas Properties.
Member
The National Society of Professional Engineers and The Technical Valuation Society, Inc.
1309 Liberty Bank Building — Dallas 1, Texas

The J. G. WHITE ENGINEERING CORPORATION
Design—Construction—Reports—Appraisals
Consulting Engineering
80 BROAD STREET — NEW YORK 4, N. Y.

Mention the FORTNIGHTLY*—It identifies your inquiry*

PROFESSIONAL DIRECTORY (concluded)

ALBRIGHT & FRIEL, INC.
FRANCIS S. FRIEL
Consulting Engineers
Water, Sewage and Industrial Waste Problems
Airfields, Refuse Incinerators, Industrial Buildings
City Planning, Reports, Valuations, Laboratory
1528 WALNUT STREET PHILADELPHIA 2

BLACK & VEATCH
CONSULTING ENGINEERS
Appraisals, investigations and reports, design and supervision of construction of Public Utility Properties
4706 BROADWAY KANSAS CITY, MO.

EARL L. CARTER
Consulting Engineer
REGISTERED IN INDIANA, NEW YORK, OHIO, PENNSYLVANIA, WEST VIRGINIA, KENTUCKY
Public Utility Valuations, Reports and Original Cost Studies.
910 *Electric Building* *Indianapolis, Ind.*

W. C. GILMAN & COMPANY
ENGINEERS
and
FINANCIAL CONSULTANTS
55 Liberty Street New York

FRANCIS S. HABERLY
CONSULTING ENGINEER
Valuation — Depreciation — Service Life Studies — Construction Cost Indexes — Reports
122 SOUTH MICHIGAN AVENUE, CHICAGO

JACKSON & MORELAND
ENGINEERS AND CONSULTANTS
DESIGN AND SUPERVISION OF CONSTRUCTION
REPORTS—EXAMINATIONS—APPRAISALS
MACHINE DESIGN—TECHNICAL PUBLICATIONS
BOSTON NEW YORK

JENSEN, BOWEN & FARRELL
Engineers
Ann Arbor, Michigan
Appraisals - Investigations - Reports
in connection with
rate inquiries, depreciation, fixed capital reclassification, original cost, security issues.

LUCAS & LUICK
ENGINEERS
DESIGN, CONSTRUCTION SUPERVISION, OPERATION, MANAGEMENT, APPRAISALS, INVESTIGATIONS, REPORTS, RATES
231 S. LASALLE ST., CHICAGO

ROBERT T. REGESTER
Consulting Engineer
HYDRAULIC STRUCTURES — UTILITIES
FLOOD CONTROL — WATER WORKS
Baltimore Life Bldg. Baltimore 1, Md.

A. S. SCHULMAN ELECTRIC CO.
Contractors
TRANSMISSION LINES—UNDERGROUND DISTRIBUTION — POWER STATION — INDUSTRIAL — COMMERCIAL INSTALLATIONS
537 SOUTH DEARBORN ST. CHICAGO

SLOAN, COOK & LOWE
CONSULTING ENGINEERS
120 SOUTH LA SALLE STREET
CHICAGO
Appraisals — Reports
Operating — Financial — Plant

MANFRED K. TOEPPEN
ENGINEER
CONSULTATION—INVESTIGATION—REPORTS
MARKET AND MANAGEMENT SURVEYS
VALUATION, DEPRECIATION AND RATE MATTERS
639 South Spring Street, Los Angeles 14, Calif.
and
261 Broadway, New York 7, N. Y.

WESTCOTT & MAPES, INC.
ARCHITECTS & ENGINEERS
INVESTIGATIONS • REPORTS
DESIGN • SUPERVISION
New Haven, Connecticut

Representation in this Professional Directory may be obtained at very reasonable rates. Kindly address inquiries to:
ADVERTISING DEPARTMENT
Public Utilities Fortnightly
309 Munsey Building
Washington 4, D. C.

INDEX TO ADVERTISERS

[*The Fortnightly lists below the advertisers in this issue for ready reference. Their products and services cover a wide range of utility needs.*]

A

Albright & Friel, Inc., Engineers 35
American Appraisal Company, The 32
American Perforator Company, The .. Inside Back Cover

B

*Babcock & Wilcox Company, The .....
Barber Gas Burner Company, The 3
*Barber-Greene Company .....
Black & Veatch, Consulting Engineers 35
*Blaw-Knox Division of Blaw-Knox Company ....

C

Carter, Earl L., Consulting Engineer 35
Cleveland Trencher Co., The 15
*Combustion Engineering Company, Inc. .....
Crescent Insulated Wire & Cable Co., Inc. 29

D

Day & Zimmermann, Inc., Engineers 32
Dodge Division of Chrysler Corp. 13

E

Ebasco Services, Incorporated 23
Electric Storage Battery Company, The 25
Electrical Testing Laboratories, Inc. 32

F

*Farm Management Associates, Inc. .....
Ford, Bacon & Davis, Inc., Engineers 32
*Ford Motor Company .....

G

General Electric Company .....Outside Back Cover
*GMC Truck and Coach Division .....
Gilbert Associates, Inc., Engineers 32
Gilman, W. C., & Company, Engineers 35
Grinnell Company, Inc. 28

H

Haberly, Francis S., Consulting Engineer 35
Harris, Frederic R., Inc., Engineers 32
Hoosier Engineering Company 33

I

*International Business Machines Corporation ....
International Harvester Company, Inc. 17
Irving Trust Company 16

J

Jackson & Moreland, Engineers 35
Jansen, Bowen & Farrell, Engineers 35

K

Kinnear Manufacturing Company, The .....
Inside front cover
Kuljian Corporation, The, Engineers 33

L

Leffler, William S., Engineers 33
Legge, Walter G., Co., Inc. 20
Loeb and Eames, Engineers 33
Lougee, N. A., & Company 33
Lucas & Luick, Engineers 35

M

Main, Chas. T., Inc., Engineers 33
Mercoid Corporation, The 19

N

*National Association of Railroads & Utilities Commissioners .....
Newport News Shipbuilding & Dry Dock Co. 30
Norwalk Valve Company 5

P

Penn-Union Electric Corporation 22
Pioneer Service & Engineering Co. 34
Pittsburgh Plate Glass Company 18
Pressed Steel Car Company, Inc. 11
Pritchard, J. F., & Company 34

R

*Raytheon Manufacturing Company .....
Recording & Statistical Corp. 27
Regester, Robert T., Consulting Engineer 35
Remington Rand, Inc. 9
Robertson, H. H., Company 7
Rust-Oleum Corporation 26

S

Sanderson & Porter, Engineers 34
Sargent & Lundy, Engineers 34
Schulman, A. S., Electric Co., Contractors 35
Sherman, H. B., Mfg. Co. 21
Sloan, Cook & Lowe, Consulting Engineers 35
Springfield Boiler Co. 31
Steinberger, E. A., Engineer 34

T

Toeppen, Manfred K., Engineer 35

W

Westcott & Mapes, Inc. 35
White, J. G., Engineering Corporation, The 34

Professional Directory 32-35

*Fortnightly advertisers not in this issue.

FOR RECEIPTING CUSTOMERS' BILLS
—Electric—Gas—Water—Tax—

American ELECTRIC RECEIPTOR

AFFORDS SPEED — CONTROL — PROTECTION

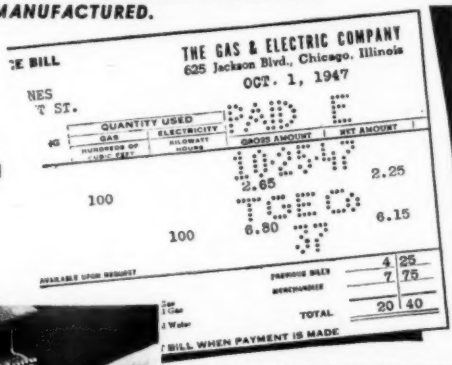


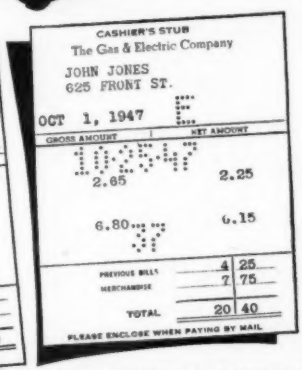
In Less than 1/3 Second
THIS IS WHAT IT DOES IN ONE *OPERATION!*

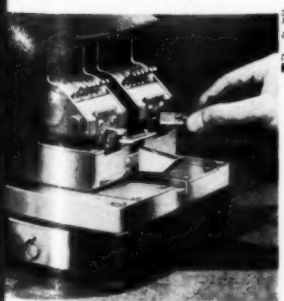
- √ Marks receipt PAID
- √ Both Stub and receipt are DATED
- √ Perforates LOCATION NUMBER in receipt and stub
- √ Your COMPANY NAME marked on the receipt
- √ Places TELLER NUMBER on both stub and receipt
- √ AUTOMATICALLY SEVERS STUB from receipt.

AN IRREVOCABLE AND COMPLETE RECEIPT. THE MOST WIDELY USED DUPLEX RECEIPTING MACHINE MANUFACTURED.

(Standard or Post Card Bill)







Keys provide positive identification of Teller on both stub and receipt.

SEND COUPON FOR FURTHER DETAILS

THE AMERICAN PERFORATOR COMPANY
625 W. JACKSON BLVD., CHICAGO 6, ILLINOIS

Please send further information on your ELECTRIC RECEIPTING PERFORATOR.

NAME .....

TITLE .....

COMPANY .....

ADDRESS .....

CITY ..... STATE .....

JOHNNY [illegible]'S KILOVAR ECON[illegible]

SHORT-[illegible]UL KILOVA[illegible]
CUT YOU[illegible] INVESTME[illegible]
FOR R[illegible] TRANSPOR[illegible]



JO[illegible] SAYS:

[illegible]ovar that [illegible] up through [illegible]-47 [illegible]ers may [illegible] THRE[illegible]

Why use your kilowatts unproductively in lagging current and carry them through your lines, transformers, generators to your substations? Do it, NOW, in your distribution lines and finally, DOWN to the point where they're needed.

On the spot kilovars are provided by capacitors—by your line and control kilovars. This makes room for additional kilowatt capacity—equivalent to as much as 30 per cent of your peak load—and *eliminates power transmission and distribution costs from the generator to the point where they are used.*

[illegible] Electric [illegible] will be glad to work with you [illegible] application of capacitors to [illegible]. For further information ask [illegible] representative or write to [illegible] Dept., General Electric Co., [illegible], N. Y.

[illegible] ARE NOW [illegible] SUBSTATION CAPACITORS TO CUT [illegible] COSTS

[illegible] see the names [illegible] leaders of the industry, [illegible] are now using capacitors as an [illegible] economic tool. New Orleans [illegible] Inc., [illegible] capacitors up [illegible] cent of its [illegible] for a Tampa [illegible] Company—[illegible]%; Oklahoma [illegible] Electric Company—20%; [illegible] Service Company—18%.

GENERAL ELECTRIC

This page is reserved under [illegible] Service.